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#### The West German governad \$1.98 million—a from the autograph manuscripting the autograph manuscripting the first to manuscripting New Purchases by Central Banks

tion in London Thursday

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Page H

FOR MO

CLASSIFE

65LGEAVE

When Raymond Charles, 1959, he left four chapters, Philip Marlowe novel, The Springs Story, in which he and makes the Compiled by Our Stuff From Despatches
NEW YORK - Determined dollar sellers engaged in a tug of war-with central banks Friday and Springs Story, in when the marries and moves to springs. These have spreed in a book published in La.

Robert B. Parker, authors is els featuring the determine and published by GP. he A secret meeting of finance officiels in Paris set the stage for ussive dollar support. Page 9.

wine industry's bigges at success. About 50 millionly at Thursday's close, and to 1.7375 Deutsche marks from 1.7228 DM. However, it was well off highs set immediately after the intervention.

> lar had sunk to its lowest closing rate ever at 121.52 yen, despite support from the Bank of Japan, before massive intervention by the U.S. Federal Reserve and nine oth-

ture taste." Gerard Rome. That support continued Friday. more straightforward is tastes like Beaujolais p

THE DIPLOMATE The fundamental psychology is

still fairly negative." Mr. Bush, meanwhile, vowed to fill out his economic team soon, while aides tried to calm nervous financial markets.

In Virginia for a meeting with state governors, the president-elect said he would make final economie-policy appointments before

#### Kiosk

## Near Aeroflot

exploded Friday outside the building housing the Geneva office of the Soviet airline Acroflot, wounding five persons, officials said.

of the building, which also houses two Arab banks, a store. A previously unknown group, the Socialist National-ist Movement, took responsi-



Chun Doo Hwan, under attack for alleged involvement in corruption when he was president of South Korea, is reported to be ready Page 2. to repent.

#### General Naws

70,000 ethnic Albanians marched in Yugoslavia in anti-Serbian protests. Page 2. Sports

The black market in steroids is booming, and athletes may account for only 111 percent of all

#### Business/Finance

Britain's inflation rate bulged to 6.4 percent in October, the highest level in more than Investors' appetite for junk bonds remains strong. Page 9.

9.96 Yen 122 60

# and his wife's collection of the collection of t

# Overcome Sellers

war with central panes rrioay and the official supporters of the cur-sency barely emerged the victors, boosting the dollar's value slightly. As President-elect George Bush, Treasury Secretary Nicholas F. Brady and other officials stepped

up efforts to calm markets, central banks piled in to underpin the dollar. Some sources put their purchases Thursday and Friday at as much as \$3 billion. The dollar rose to 122.60 yen at the close in New York, from 122.05

In active trading, the dollar gyrated from 122.50 to 123.20 yen and from 1.7325 DM to 1.7460 DM.

In Tokyo on Thursday, the doiwild strawbernes and the part central hanks reversed the trend.

"For the central banks, it's a case now of wearing down the market's inclination to sell dollars," said Robert Hatcher, senior foreign-exchange trader at Barclays Bank in New York.

Several economists said bearish sentiment prevailed. "The market hasn't really been frightened by the intervention," said David Redding, an international money-market economist at Bankers Trust Co.

See DOLLAR, Page 12

## **Bomb Hurts 5**

GENEVA (AP) --- A bomh

The police said the bomh went off in a trash can in front French bank and a jewelry



#### Page 21.

Dow Close The Dollar

DM 1.7375 Pound 1.8155 5.939

#### PARIS, SATURDAY-SUNDAY, NOVEMBER 19-20, 1988

#### **Soviets Back Declaration** Of a Palestinian State By David Remnick MOSCOW — The Soviet Union on Friday endorsed the Palestine National Council's proclamation of an independent Palestinian state in the Israeli-occupied Wesi Bank and Gaza Strip, but it was unclear if Moscow was offering full diplomatie relations. In a statement that one Arab diplomat in Moscow described as moderation itself," First Deputy Foreign Minister Alexander A. Bessmertnikh said the PNC's action in Algiers on Tuesday was "a major contribution to the process of a fair political settlement in the

Mr. Bush, meeting with governors Thursday in Charlottesville, Virginia, said he would quickly name key economic officials.

## U.S.-Canadian Trade Pact: High Stakes

nonstop journey, which now takes about 14

Airline executives said the two new routes

being studied by Chinese and Soviet authori-

ties would save many millions of dollars a

year in aircraft fuel costs and enable planes

to carry a fuller load of passengers and

By Robert Pear New York Times Service

WASHINGTON --- A Canadian rejection of the free-trade agreement with the United States would derail years of efforts by Washington and Ottawa to achieve much closer economic and political cooperation at a time that the European Community is moving to form : single, unified market.

Moreover, American officials say that rejection of the pact would be a notable rebuff to the Reagan-Bush administration, which invested great efforts in negotiating the agreement and steering it through

By Michael Richardson

International Herald Tribune

Union, in another sign of warming relations, are cooperating with international civil avia-

tion bodies to open faster, nonstop air routes

between the Far East and Europe, officials

involved in the negotiations say.

In an important change of policy, Beijing and Moscow have agreed in principle to establish an air corridor across the Chinese-

Soviet border that has been closed to inter-

national flights for many years, the officials

Aviation experts said the new commercial

Thursday, and other American officials said they were distressed to see the growth of Canadian opposi-tion to the pact, which would elimi-

Mrs. Thatcher says rejection of the trade pact would be 'a great blow' to world trade, Page 5. nate virtually all tariffs between the

two countries over 10 years. The trade agreement is the central issue in Canadian elections on

Prime Minister Brian Mulroney's Progressive Conservative Party Congress. staunchly defends the pact, while President Reagan made a pitch the Liberal Party opposes it and

for the agreement in a speech on says it would repudiate it if the party gains power. The agreement, if approved,

would go into effect on Jan. 1. The Americans feel frustrated because they cannot lobby for the

In Quebec, John Turner, the Liberal Party candidate and a critic of the pact, denounced Mr. Reagan's remarks on Thursday as "a major breach of courtesy between the two nations, and the president should have known better.

Rejection would be particularly irritating to James A. Baker 3d, the man ebosen by President-elect George Bush to be secretary of state. As secretary of the Treasury, Mr. Baker was a zealous supporter

Chinese and Soviets Cooperate on Far East Flights

of the agreement and rescued it when negotiations nearly collapsed earlier this year.

Advocates of the United States-Canada pact say it is all the more right recognition to a Palestinian important for the North American state. neighbors to cooperate because they might be locked out of a prolectionist "fortress Europe."

agreement was expected to increase lowering prices for U.S. consumers. If the agreement is defeated, they

said, it may well be more difficult for Mr. Busb to resist protectionist pressures on other fronts. The United States and Canada

cussed the proposed routes in Bangkok in

July at a meeting arranged by the Interna-tional Civil Aviation Organization, a United

Mohammed Y. Wazirzada, the organiza

tion's regional representative for Asia and

the Pacific, said officials from both countries

There will be two follow-up meetings in

Nations agency

were "very cooperative."

See CANADA, Page 5

Union was committed to a principle of "fundamental freedom of A variety of experts said the eboice" in the Middle East, a comment that indicated that Moscow jobs, exports, and output while hoped the end result of any negoti-

to be solved.

Soviet Union and China.

Berlin.]

ations on the region would be the creation of a Palestinian state alongside Israel. But the seemingly deliberate am-biguity of the Kremlin's position

on the PNC declaration was, a dip-

They included agreement of Chinese mili-

tary authorities to the new flight paths across

China and the training of more English-

speaking air traffic controllers in both the

See FLIGHT, Page 5

See SOVIET, Page 5

Mr. Bessmertnikh, bowever, was

unclear on whether Moscow was

extending full diplomatic recogni-tion to the newly proclaimed Pales-

"Yes, this is the essence of 10day's declaration," he told report-

ers. But then, he read a less precise

formulation that kept the issue of

full diplomatic recognition vague: "The Soviet Union has recognized

the proclamation of a Palestinian

[East Germany recognized the Palestinian state on Friday. The

Associated Press reported from

tinian state,

#### The "balance" of the Soviet statement, analysts said, is appar-ently intended to avoid alienating either Israel, which has rejected the PNC action, or the Arab and Is-Abu Musa, a radical Palestinian guerrilla leader, speaking to lamic states that have given outreporters Friday in West Beirut. He denounced Yasser Arafat, chairman of the Palestine Liberation Organization, for implicity Mr. Bessmertnikh said the Soviet recognizing Israel and urged election of a new PLO leadership. South Africa Finds

4 Guilty of Treason

By William Claiborne Washington Post Service

that swept the country from 1984 to 1986. They also may determine wheth-PRETORIA - In a series of verdicts likely to define for years ahead the limits of protests against apartheid, a provincial court on Friday convicted four prominent black activists of treason with inair routes from Hong Kong across China and the Soviet Union to Europe and Britain safety, the sources added.

Far East and Europe and should improve air the Soviet Union to Europe and Britain safety, the sources added.

In a separate interview by telephone in tent to overthrow the government Bangkok, Hans Fugl-Svendsen, regional of Sonth Africa.

would shave up to one and half hours off the Chinese and Soviet aviation officials disof the International Air Transport Associa-tion, said several technical problems still had Seven other defendants were convicted of terrorism, which, like treason, carries a maximum penalty of death, and five were acquitted. That brought to 11 each the number of convictions and acquittals among the 22 persons accused in the longest political trial in South African history.

More than 170 airlines, including most of In effect, the verdicts served as the major international carriers, are memthe definitive judicial pronounce-ment on the causes of the violence

er the United Democratic Front, South Africa's largest anti-apart-heid coalition, will be outlawed like its ally, the African National Con-

gress, on charges of having plotted to overthrow the government. In his verdicts, Justice Kees van Dijkhorst branded the UDF a "revolutionary organization" akin to an internal wing of the ANC and one holding the same goal: the overthrow of the white minority gov-

ernment by making the country ungovernable through street violence. The UDF has contended that it is a nonviolent umbrella organization for more than 700 anti-apartheid groups and that, while it identifies with the nationalist aspirations of the exiled ANC lead-

ership, it does not do its bidding. Among those convicted of treason Friday were three high UDF officials, Patrick Lekola, the group's publicity secretary; Popo Molefe, its national secretary, and Moss Chikane, its Transvaal Province secretary.

Also convicted of treason was the Reverend Thomas Manthatha, an activist in the Sharpeville area southwest of Johannesburg, where the first civil unrest erupted in 1984 before it spread throughout the

Among those attending the final day of the four-day reading of the 1.521-page written verdict was Helen Suzman, the long-serving white member of parliament from the liberal opposition Progressive Federal Party. She said of the verdict: "It does narrow the margin between what is lawful dissent and what is considered treason.

Before being led away by court officers, Mr. Chikane said, "We have to be strong. Apartheid has entrenebed itself. The roots are too deep. We knew that nonviolence would be interpreted this way." Defense attorneys said they

would begin preparing their arguments for mitigation of sentencing. which will start Dec. 5. The three UDF officials have been in jail without hail since before the trial began more than three years ago.

The secretary general of the South African Council of Churches, the Reverend Frank Chikane, who is not related to Moss Chikane, said the target of

See TREASON, Page 5

## Delay on Sovereignty Vote Provokes Cry of 'Treason' From Lithuanians

By Esther B. Fein New York Times Service

said in interviews this week.

MOSCOW — Heeding a plea by its Communist Party leader to pursue the aim of sovereignty with patience, the legislature of the Baltie republic of Lithuania decided Friday not to declare its laws supreme over Soviet law.

The action disappointed the neighboring Baltic republic of Es-tonia, which had adopted a bold declaration of sovereignty earlier this week, and elicited cries of "treason" from thousands of Lithuanians who gathered at a protest rally in the Lithuanian capital of

The Lithuanian legislature's decision not to pronounce its sover-eignty came a day after Moscow declared "unconstitutional" a vote by the Estonian legislature granting itself the right to reject Soviet laws that infringe on local autono-

The Lithuanian Communist Party leader, Algirdas Brazauskas, appealed to legislators in his republic for restraint, saying: "We have no right to mislead the Lithuanian people and give them what would be a one-day wonder."

The Lithuanian legislature, or Supreme Soviet, responded by voting to approve a Kremlin plan for body, and defended the Estonian ed.

electoral reform, but postponing a Baltics for concentrating too much power in Moscow.

The legislators also voted to make Lithuanian the republic's official language, replacing Russian; replace the flag of Soviet Lithuania with the banner of the pre-1940 independent state; and reinstate the former Lithuanian national an-

attended the meeting as spectators, the legislature never voted on whether or not to declare its right to veto Soviet laws. At Mr. Brazauskas urging, they avoided an ac-tual vote on the issue. "He exerted a lot of pressure on

them," said Arunas Zabriunas, a Lithuanian filmmaker and an active member of Sajudis, a grassroots Lithuanian national movement that has strong popular support. "He was very clever in how he spoke and it worked." Meanwhile, the Estonian presi-

of the Presidium. dent, Arnold Ruutel, met Friday in Moscow with members of the Pre-

legislature's 258-to-1 vote Wednesvote on whether to accept proposed changes to the Soviet Constitution to allow Estonian anthorities that have been criticized within the Soviet legislation within the repub-

These direct great-circle routes across China and the Soviet Union would also relieve the air corridors across the Chinese-Soviet

growing air traffic congestion between the border will be open in 1990, be added.

In a statement Thursday, the Presidium refrained from directly criticizing the Estonian action, but emphasized that it was at odds with the Soviet Constitution. The Pre-sidium said it would invite representatives of Estonia to Moscow discuss the issue. According to Lithuanians who

Mr. Ruutel's trip to Moscow had been a planned earlier as part of a meeting of officials from all 15 republics with Prime Minister Niko-iai 1. Ryzhkov to discuss plans to transfer the republics to a system of self-management and self-financing. But the constitutional conflict prompted by the Estonian vote pre-cipitated a meeting with members

■ No Comment From U.S. In Washington, the State Department spokesman, Charles E. Redman, declined to comment directly on the amendment adopted by Estonian legislators requiring sidium of the Supreme Soviet, the their ratification of new Soviet laws, The Associated Press report-



#### Gandhi Welcomes Gorbachev to India

Prime Minister Raiiv Gandhi of India escorting Mikhail S. Gorbachev during welcoming ceremonies Friday as the Soviet leader began a three-day visit. Mr. Gorbachev promised to maintain warm relations with India despite "comments and speculations" to the contrary. His statement followed concerns expressed in the Indian press that warmer Soviet-Chinese relations could affect Moscow's ties with India. India and China have a longstanding border dispute.

## Can't Find Car? Test Concludes Female Hormone May Be the Culprit

By Sandra Blakeslee

New York Times Service TORONTO - Two Canadian psychologists have demonstrated for the first time that there is a relationship between monthly fluctuations in female sex hormones and a woman's ability to

perform certain tasks. In two studies involving 200 women, they found that women performed better on tasks involving verbal skill or muscular coordination when estrogen levels were high than they did

when estrogen levels were low. By contrast, the women were better on tasks involving spatial relationships when estrogen lev-

were high.

Even at their best, the women, on the whole, did not perform as well as men did on average with spatial tasks, the researchers said. But even at their worst the women were better, on the

whole, than men were on average on verbal tasks. Estrogen, the primary female sex hormone, is low at the beginning of the menstrual cycle and rises sharply just before ovulation, about halfway through the cycle, and drops again shortly before menstruation begins.

The research supports earlier animal studies

behavior, Similar tests have not been performed The studies were conducted by Dr. Doreen

Kimura, a psychology professor at the University of Western Ontario in London, Ontario, along with a graduate student, Elizabeth Hampson. The researchers presented their results at a symposium on Wednesday at the annual meeting of the Society for Neuroscience in Toronto.

The scientists found, for example, that women were better at word games, like tongue twisters, The research supports earlier animal studies and at making precise hand movements when that found that sex hormones have profound their estrogen levels were high. Their ability to

els were low than they were when estrogen levels influence on the organization of the brain and solve spatial problems, such as mentally rotating Dr. Bruce McEwen, an expert on the brain and objects drawn on paper, improved when estrogen

> Dr. Kimura said that although some women might notice differences in their verbal or spatial ability at different times in their menstrual cycle. the differences would not cause them serious "It would be nice to be in au optimal phase,"

she said. But the kinds of problems women might encounter in nonoptimal times are minor, she said. "In real life, it's finding your car in a parking lot" she said. The new research is "very significant," said

sex hormones at the Rockefeller University in New York. "Finally there are systematic studies on sex hormones and human behavior other than

But Marilyn Fitterman, president of the New York chapter of the National Organization for Women, expressed concern that the findings could be misused. This could fall into the category of 'why can't a woman be president,' " she said, adding that other factors, such as the circadian rhythms associated with the Earth's rota-

See HORMONE, Page 5

#### **70,000 Vent Anger As Ethnic Albanians** March in Yugoslavia

PRISTINA, Yugosiavia — Seventy thousand ethnic Albanians marched through the capital of Yugoslavia's Kosovo Province on Friday in renewed anti-Serbian protests, while Serbs in Belgrade festooned the capital with flags for a planned anti-Albanian rally.

The ethnic Albanians, angry over the removal of local leaders, marched through Pristina, 350 kilometers (220 miles) south of Bel-grade, and poured into a sports stadium, the official Tanjug news

agency said.

Belgrade radio said the protesters later marched to the Kosovo

#### Cuba Agrees To Angola Peace Plan

By David B. Ottaway Washington Post Service
WASHINGTON — Cuba announced Friday that it would ac-

cept the U.S.-mediated plan for the withdrawal of an estimated 52,000 Cuban troops from Angola, clear-ing the way for the plan to be carried out swiftly if South Africa

A statement published on the front page of the Cuban Communist Party organ, Granma, said Cuba had informed the United States "of the acceptance by Cuba of the understanding reached at the last meeting in Geneva between representatives of Angola, Cuba and South Africa."

The meeting in Geneva ended Tuesday with tentative agreement on a plan for the total, phased with-drawal of Cuban troops and for port. The situation should be disindependence for South West Africa, or Namibia, including United Nations-supervised elections in the South African-administered na-

[Angola also approved the plan Friday, the Angolan press agency said in a report monitored in Lis-

While details of the Cuban withdrawal plan have yet to be made public, people close to the negotiations said it called for all troops to and zinc miners who formed the leave Angola within 27 months, with half of them out in seven months and two thirds gone within one year of Namibia's indepen-

At the same time, all Cuban troops would move from southern Angola to new positions north of the 13th parallel, about 400 kilometers (250 miles) from the Angola-Namibia border, within six months from the start of the withdrawal plan and one month before elections are held for a constituent assembly in Namibia.

#### **CHURCH SERVICES**

CENTER OF COPENHAGEN FIRST BAPTIST CHURCH, English specking, Sun. 9:00, Boggesensgade 7, (Bus 3,5,7,16). Dr. R.J. Robinson, Min. Tel., (01) 373924.

International Baptist Church, English S.S. 10:00, worship 11:05, Children's church and nursery. Meets at the international School, Lauchtenburger Kirchwag 2, D.Kalsarswerth, Friendly fellowskip. All denominations wel-come. Dr. W.J. Delay, Pastar. Tel.; 0211/400 157.

GENEVA BNIEBNATIONAL CHRISTIAN FELLOWSHIP OF GENEVA, English speaking Sunday ser-vice 12-00 moon of Chopelle des Buis, 3 rue Amat, Rev. Greg Fitch, P.O. Box 2447, CH-1211 Geneva 2, (022) 32 08 67 CHURCH OF THE LIVING SAVIOUR, Get vo's International Pentecostal church, 20 Ave. Emest-Pictet. Enjoy a warm atmosphere of joyful, spiritifilled warship in English. 10,30 a.m. and 7 p.m. Tel.: 44/7070 or 988580.

HAMBURG INTERNATIONAL BAPTIST CHURCH OF HAMBURG meets at Ev. Freikirchliche Gemainde Christuskirche, Suttner Str. 18, Hamburg-Altonz. Bible Study 1 p.m. + Wor-ship 2 p.m. Tel.: (0) 4101-207933.

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UNITARIAN UNIVERSALIST FELLOWSHE meets Sunday, Nov. 27 et 11 c.m. Phone: (089) 690-2036.

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THE AMERICAN CATHEDRAL (Episcopol-Anglican). Sun, 9 & 11 a.m. Sunday School for children and nursery core at 11 a.m. 23 ave. George V, Paris 8, Tel.: 47 20 17 92. Metro: George V or Alma-Marasou.

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INTERNATIONAL BAPTIST FELLOWSHIP meets of 123 Ave. du Maine, Meiro Gaite. Vesper Service in English every Sunday evening

630 Tel. 47.49. 15.29/47.51.29.63. MUCHOCOTE MMANUE CHIRCH, Kungstener, & Briger Janl, Friendly division fellowship, Briglish, Swed-ish & Koreon 11:00, Tel.: (08) 151225, &

ZURICH INTERNATIONAL PROTESTANT CHURCH, 5-

glish specifing, Sundays 11:30 a.m., Sc came 25, Tel.; (01) 69:55:25.

Communist Party headquarters, where they yelled anti-Scrbian slogans. The protesters were demanding that two local leaders who resigned under pressure from Serbia be given their jobs back.

They waved the red Albanian flag, bearing a double-headed black eagle, and shouted: "No res-ignations!" and "We won't give up our officials!"

Kosovo's ruling Communist Partv Politburo held an emergency session and appealed to people to keep off the streets in a message broadcast on Pristina radio.

Local radio said many thousands more were converging on Pristina from all over the province, which borders Albania and has a popula-

borders Albama and has a popula-tion of almost two million.
On Thursday night, 10,000 eth-nic Albamans held a similar protest at the Kosovo party headquarters, as Serbia cailed for a purge of the Kosovo leadership for allowing the growth of Albanian nationalism.

The Central Committee in the province removed Kosovo's party leader, Kacusa Jasari, 42, and a Politburo member, Azem Vlasi, 40, in an effort to defuse tension with Serbia, Yugoslavia's largest repub-

Although dropped from the pro-vincial Central Committee, Miss Jasari remained as a Politburo member, and Mr. Vlasi stayed in the Yugoslav Communist Party

On Friday, Miss Jasari and Mr. Vlasi, who came from a similar meeting in Titova Mitrovica, asked the crowd in Pristina for calm and urged the demonstrators to go back

[Mr. Vlasi said that he was "surprised" by the workers' reaction.
"We should not be happy with this
demonstration," he told the International Herald Tribune. "We are cussed in proper bodies and dealt with through proper channels."

[Sava Komadinic, a Montene-grin who is president of the Kosovo trade unions, appealed to the crowd for calm. He was booed throughout his speech, and his ap-peal for unity "of the working class" drew heightened protests from the crowd.] At the earlier meeting, Mr. Vlasi sought to calm 6,000 striking lead

protest core Thursday. The ethnic division was underlined by Serbs putting up flags in Belgrade in preparation of an anti-

Ibanian rally Saturday. Kosovo is nominally part of Serbia, but it won sweeping powers of self-rule under the 1974 constitution. It is populated by 1.7 million ethnic Albanians and a predomi-nantly Serbian Slav minority of 200,000. Albanians rioted there in 1981, trying to set up a republic, and the protest Thursday was the

biggest by Albanians since then. The populist Serbian party leadtonomy, through changes in the gance and of strong-arm trade poli-constitution, and to enable Serbia cies. to crack down on Albanian nation-

At dozens of rallies throughout Yugoslavia this year, Serbs have demanded the resignations of Mr. Vlasi, Miss Jasari, and other Kosovo leaders, whom they blamed for Albanian nationalism.

low pay and very high inflation. Organizers expect a million people to attend the rally Saturday.

CANNES

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restaurant. Tepponyció, subyci or. Private coddoil and dinner. COLONY CLUB



Ethnic Albanians marching Friday in Pristina, Yugoslavia, to demand the reinstatement of two leaders who quit under pressure.

## U.S. Tightens Civilian Security in Korea

By Seth Mydans
New York Times Service

SEOUL - The U.S. military ightened security around its civilian areas Friday after an unusual attack on an American housing compound by a group of young protesters armed with firebombs

nd metal bars. The attack Thursday evening, in which two American soldiers were reportedly wounded and several parked cars damaged, comes at a time when the United States has come under increased criticism in South Korea.

The attack on the housing compound was the most serious of a half-dozen incidents reported since the Olympic Games ended Oct. 2. According to witnesses, 20 to 50

people described as college students shoved their way through the gates of Hannam Village, a housing complex used by more than 600 families of soldiers and civilians assigned to the U.S. and United Nations military commands.

Although protests at the U.S. Embassy, military bases or other official offices are familiar occurrences, American civilians and housing complexes have rarely been targets for demonstrators. In what was considered a routine

incident on the same day, for example, 10,000 farmers were met by riot policemen and clouds of tear gas when they tried to march on the U.S. Embassy to protest U.S. trade Anti-American feeling increased

during the Olympics, focusing on what was seen as insulting behavior by some U.S. athletes and on intensive coverage by U.S. television of a melee involving Korean boxing of

Criticism of the United States has continued in the press since er, Slobodan Milosevic, has led a which maintains a force of 40,000 troops in South Korea, of arro-

South Korea had a \$10 billion trade surplus with the United States last year and has come under U.S. pressure to revalue its currency and to open its markets to such U.S. goods as grains, tobacco and

or Albanian nationalism.

The criticism, which has spread to some degree from the radical aggravated by labor unrest over students who lead street protests to mainstream Koreans, also focus on Washington's support for the unpopular eight-year regime of the

PARIS 7th

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-Dining Out

The United States is believed by that 50 percent say the United some South Koreans, for example, which hundreds of people were Korea. killed by Korean riot policemen.

In a speech Friday, the commander of U.S. forces in South Korea, General Louis C. Menetrey, called accusations of U.S. complicity in Kwangju nonsense. But in broadcast hearings on the

incident that began Friday, even the opposition leader Kim Dae Jung, who is not usually critical of the United States, voiced his regret that Washington had not somehow mediated to halt the bloodshed. A poll of students at six colleges that was reported Friday in local newspapers found that 95 percent believed that the United States

must share some blame for Kwang-ju and that 48 percent said U.S. troops should be withdrawn from

Compiled by Our Staff From Dispatches

who is under attack for alleged in-

volvement in corruption during his

term as the South Korean presi-

dent, will apologize, surrender most of his wealth and retire from

Seoul to allay mounting criticism,

liament began a four-day hearing into Mr. Chun's role in suppressing

a bloody uprising in the southern

er, took the stand and accused Mr. expected to pardon him.

They spoke as members of par-

his aides said Friday.

city of Kwangju in 1980.

SEOUL - Chun Doo Hwan,

States is neither an ally nor an m have lent tacit support to the enemy of South Korea and that 42 harsh suppression in 1980 of propercent blame the United States for tests in the city of Kwangju in the division of North and South

"None of the respondents be-lieved that the United States is a close ally guarding free democracy in South Korea and a country m South Korea and a country which liberated Korea from Japanese colonial rule," the Korea Herald, an English-language daily, reported arthur phrasing echoes the standard history taught in Korean

high schools. In one of the half-dozen anti-American incidents since the Olympics, about 200 students attacked the U.S. Cultural Center in Kwangju on Oct. 14, damaging parked cars and breaking windows.

volved an American civilian on contract with the U.S. Air Force The poll of 551 students, conaccident in which a Korean woman punished."

Chun Described as Ready to Repent

ploy to serze power.

Chun of inciting the uprising in a

dition of anonymity, said that next week the former president would

announce his decision to leave

Seoul after giving most of his

tryside is a traditional Korean way

for disgraced leaders to show re-

Living in seclusion in the conn-

The Hankook Ilbo, a mass-circu-

wealth to the government.

former President, Cbun Doo ducted by Seoul University's Cen-Hwan. was injured. He has been turned ter for International Studies, found over to the custody of U.S. authori-

ties pending an investigation and possible trial by the Koreans. Critics calling for a revision of the 1966 Status of Porces Agree-ment that regulates the U.S. military presence in South Korea are arguing, among other things, for an adjustment of the rules of criminal

A U.S. military spokesman said inspecified extra security measures were being taken as a result of the incident on Thursday, in addition to an alert that has been maintained at the U.S. Army headquarters since the Olympics.

"I consider those who attacked an American family housing area last night to be cowardly crimi-nals," General Menetrey said in a statement

Thugs who use iron pipes, clubs The most recent case, fueling and gasoline bombs against mar-anti-American resentment, in-robed an American resentment, incan be considered nothing else," he said. "I would hope they are apprewho fled the country after a traffic hended, tried and appropriately

two months have centered on calls

man rights. A former general, he took power in 1980 and stepped down in February after Mr. Roh,

his chosen successor, won a presi-

dential election the previous De-

Nine members of Mr. Chun's

(AP, AFP)

A Chun aide, who spoke on con-ition of anonymity, said that next corruption and violations of in-

WORLD BRIEFS

## Russians Warn on Afghan Escalation

KABUL (NYT) - The Soviet military command in Afghanistan formally warned resistance forces on Friday that it would react strongly against further military escalation and said that it had already taken additional measures to stop subversive and terroristic acts of the armed

The statement, which was read to the press by Lieutenant General Lev B. Serebrov, followed two resistance attacks this week. The general Save no details of the military measures that he said had been taken and was consilly seems about the said had been taken and was

Diplomats noted that despite the stern message, he repeated Moscow's and Kabul's pledge of adherence to the Geneva agreement of last April. The general pointed out that half the Soviet troops had been withdrawn by Aug 15 and accomplished the Soviet troops had been withdrawn by Aug. 15, in accordance with the timetable fixed by the agreement among Afghanistan, Pakistan, the United States and the Soviet Union.

## Reagan Signs Major Anti-Drug Bill WASHINGTON (AP) — President Ronald Reagan signed a major

anti-drug bill on Friday that contains many of the get-tough provisions he strongly endorsed, and he dedicated the legislation to his wife's crusade against illegal narcotics.

The measure, which will cost \$2.8 billion over two years, seeks to battle the use of illegal drugs through stricter law enforcement, tougher penalties and increased treatment, rehabilitation and education. It also outlines a fund to help drug-producing countries in their fight against the illigit rehatence. illicit substances.

The measure establishes a cabinet level "drug czar," who will be responsible for developing a national strategy to combat drug abuse, and for the entire federal drug budget. The appointment of a drug czar will be left to President-elect George Bush. The measure also makes it possible for those possessing small quantities of drugs intended for personal use to be faced with up to \$10,000 in civil fines.

#### 2d B-1B Bomber Crashes in U.S.

RAPID CITY, South Dakota (AP) — A B-1B bomber crashed and burned on a runway at Elsworth Air Force Base in the second accident involving one of the long-range strategic jets in nine days, officials said

Friday. The crew of four parachuted to safety.

A police officer said the \$220 million plane, which was reported to have crashed in a landing attempt Thursday night, might have come in too low and hit a utility pole. A witness said an engine was on fire before the

The crash came two days after officials reported that the air force had espected and cleared more than two-thirds of the 98 B-1B bombers, which were grounded following a crash Nov. 8 that destroyed one of the

#### Ex-Congressman Gets 8 Years in Jail

NEW YORK (AP) — Mario Biaggi, a former 10-term U.S. congress-man, was sentenced Friday to eight years in prison for racketeering in the Wedtech bribery scandal.

The Bronx Democrat and four others were convicted Aug. 5, and Mr. Biaggi resigned his House seat the next day. He was convicted of receiving \$1.8 million in stock in the Wedtech Corp., a defunct Brank military contractor, while turning the company into a racketeering enterprise that paid millions of dollars in bribes to public officials in return for help in gaining no-bid government military contracts.

Mr. Biaggi, 71, already had been sentenced to two and a half years prison for obstruction of justice and taking an illegal gratuity in an unrelated case but he remained free on appeal. In the Wedtech case, he faced up to 146 years in prison and fines of more than \$7 million. The two racketeering counts, the most serious charges, carried up to 20 years each.

#### **Britain and Iraq Expel Diplomats**

LONDON (UPI) — Three Iraqis have been expelled from their embassy in Britain and three British envoys have been expelled from Iraq in a dispute that began in October, the Foreign Office said. Widespread protests in the last

The Iraqis had been engaged in "activities incompatible with their diplomatic status," a Foreign Office spokesman said Thursday, using the phrase that usually means spying. Two weeks after Britain expelled the Iraqis, the Baghdad government ordered the three British diplomats out. The Iraqi government made no allegations of improper conduct.

On Thursday, the United States said it had ordered out an Iraqi

diplomat in retaliation for what it termed the unjustified expulsion of an U.S. diplomat from Baghdad. U.S. officials said Haywood Rankin, head of the U.S. Embassy political section, had been expelled because Iraq objected to what it viewed as too extensive contacts with the minority Kurdish population.

#### family, including two brothers, have been arrested on corruption For the Record

lation newspaper, quoted an un-charges. Mr. Chun is accused of Koreans watched on television as having said that if Mr. Chun did parts of it to the United States and Kim Dae Jung, an opposition lead- act. President Roh Tae Wno was Australia for investment.

| Friday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament, injuring 51 | Priday during a meeting of NATO members of parliament,

TRAVEL UPDATE

## **Banned Polish Press Thriving**

#### Unofficial Journalists' Group Seeks Recognition in West

By Joseph Fitchett onal Herald Tribune

PARIS — Officially outlawed, the underground press in Poland now numbers more than 700 publications, ranging from a clandestine version of a national news agency to magazines for teen-agers, according to members of the unoffi-cial Polish journalists' union.

Stefan Bratkowski, leader of the Association of Polish Journalists, a banned union usually known by its initials in Polish, SDP, said that the underground Polish press has be-come the most influential national medium in the East bloc.

"We have publications on every imaginable subject except one, sports, because that's the only activity the official press doesn't he about," he said in Paris. It is the first time in seven years that Mr. Bratkowski has been allowed out of Poland by the authorities, who seem increasingly willing to toler-ate the association and the underground press.

The purpose of his trip is to consolidate the position of the jour-nalists' association in the International Federation of Journalists, a Brussels-based body that affiliates iournalism unions in democratic

The Polish association was recassociation from a Communist country to obtain affiliation. Communist journalists' unions

International Journalists' Organization, that mirrors the structure of the Brussels-based group. At the center of Mr. Bratkows he said ki's talks with officials from Brus-

sels was the possibility of holding a meeting in Warsaw of the 44 Western member-unions in the International Federation of Journalists.

Irish Issuing Kennedy Stamp The Associated Press

DUBLIN - The Irish Post Office announced Friday that it would issue a stamp commemorating the 25th anniversary of the assassination of President John F. Kennedy. The stamp, to be issued Thursday, will show a portrait of Mr. Kennedy by the American artist James Wyeth.

It would be the first time that Mr. Bratkowski, 54, had edited a the Western federation met in an weekly supplement on manage East-bloc country, so Poland seems ment for a leading daily, Zycie cager to be the host, according to a Warszawy, but he had become disperson involved in the talks. erson involved in the talks.

But the Western federation is unmained head of the association likely to proceed, this person said, when it went underground.

We have publications on every imaginable subject except one, sports, because that's the only activity the

official press doesn't lie about.' Stefan Bratkowski leader of the Association of Polish Journalists

unless the authorities in Warsaw agree to permit the banned Polish journalists' union to participate alongside official Communist unions that want to attend the

Mr. Bratkowski seems particuognized by the International Fed-eration earlier this year, the first with the West in order to provide broader horizons for Polisb journalists in their 20s, who he said are becoming increasingly radicalized. There's a kind of generation belong to a Prague-based body, the

gap with these journalists under 28 or so caused by the martial-law atmosphere, which is all they have to become the first woman to lead a known in their professional lives," Moslem nation. Martial law was imposed in Po-land in 1981 as part of the govern-

ment's crackdown on the Solidarity trade union. The Polish journalists' association was also banned. It was replaced soon after by an official union with a similar name. Western trade unions, together new assembly members now be-with the Polish Catholic Church, longed to her party.

played a role in helping the banned association build an influential network of underground publications. "Initially, our friends - journalhelped us by sending food and clothes for the 1,000 or so people who had simply been put out of their jobs in the official media,"

The association belped start

presses that were sampgled piece by piece inm Poland and then reas-The underground publications are issued by people from many occupations, from high school stu-dents to engineers or even journal-

derground publications. "It's not like the Soviet Union, where only a handful of people are

ed clandestinely on government presses. Others were turned out on

scores of publications, often print-

ists who earn their living working for official publications. The activities of the Polish journalists' union extend beyond swapping news and technical guidance to a prize ceremony for un-

## **U.S. Airlines Raising Ticket Prices**

WASHINGTON (WP) — Several major airlines have followed the lead of Continental Airlines by raising domestic ticket prices on most Maxsaver fares, a move that would return the U.S. industry to a type of fare structure that existed before deregulation.

At the same time, Continental expanded its fare changes to include a second major class of discount tickets — those that are refundable for a

25 percent penalty. The changes Continental is making generally will result in higher ticket prices, although some fares will decrease. United, Trans World and Delta airlines said they would match Contineutal's changes on Maxsaver fares, a move expected to increase ticket prices for about two-thirds of the passengers using those tickets. Other airlines said they preferred to take a wait-and-see approach.

Sri Lankan officials say the disruption of supplies and services that prompted them to ask foreign tourists to leave the country earlier this month has eased. Hotels and supporting services in and near Colombo, the capital, and two nearby beach resorts, Mount Lavinia and Negombo, are functioning smoothly, they said. People planning to visit Sri Lanka are advised to keep in touch with their travel agents, the Ceylon Tourist.

Board or offices of Air Lanka, the officials added. (Reuters)

British sirports are considering children's films and bigger cafeterias as ways to help ease the ordeal of summer delays that had some people camping in terminals this year. Officials from BAA PLC, which operates Heathrow Airport in London and six other sirports, said Thursday that they were studying the use of entertainers, welfare staff and tents in 1989 if the delays happen again.

#### Correction

In a New York Times article on athletes' use of drugs, which appeared where only a handful of people are doing glasmant and trying to teach in Friday's editions of the IHT, the types of substance reportedly used in the concept to everyone else," Mr. Bratkowski said. "In Poland, these free publications are all over the substance reportedly used in training for the Seoul Olympics were misidentified. Medical and legal experts, as well as traffickers in the drugs, estimated that while at least half the 9,000 athletes might have used performance-enhancing drugs, the drugs were not limited to anabolic steroids.

## **Bhutto Says She Now Has Majority**

KARACHI, Pakistan - Benazir Bhutto claimed the support Friday of a majority of newly elected National Assembly members and predicted no obstacles in her attempt

Miss Bhutto, 35, said her party commanded a majority after elections Wednesday because some new assembly members had joined her Pakistan People's Party party

since then and others have pledged their support. She would not say how many longed to her party.

The Pakistan People's Party captured 92 seats in the 237-member assembly in the first free elections in Pakistan since 1977. Her rivals in the nine-party conservative Islamic Democratic Alliance, which inchodes supporters of the previous president, the late General Mo-

won 58 seats. Results from 13 dis- General Zia ruled by martial law tricts were not available, and 20 for eight years, then held national seats reserved for women will be elections in 1985 in which candi-Miss Bhutto also offered to make ated with political parties. peace with political opponents.

ace with political opponents.

The general dismissed the government and National Assembly in are prepared to expand our base of May on grounds of corruption, incooperation with other parties if competence and delay in putting they take the mitiative," she said at Pakistan under Islamic law. He was her walled compound in Karachi. The constitution requires the president to designate a leader to

form a government, and Miss Bhutto urged President Ghulam Ishaq Khan on Thursday to give, her party the mandate.
When asked if she foresaw any

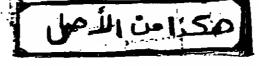
problems in becoming prime minis-ter, she replied: "I don't see any obstacle '

filled later by vote of the assembly. dates were not allowed to be affili-

killed in a plane crash Aug. 17. Both Miss Bhutto and the Islam-

ic Democratic Alliance have said they would continue Pakistan's friendship with the United States and support of Moslem guerrillas fighting the Communist govern-ment of Afghanistan.

In a statement released Thursday by her representatives in Washing. As prime minister, Miss Bhutto ton, she said she looked forward to As prime minister, Miss Brutto
would be recapturing the post lost
by her father, Zulfikar Ali Bhutto,
when he was deposed by General
when he was deposed by General The United States has a \$4 billion inammed Zia ul-Haq, won 54 seats. victed of complicity in a political six-year program of military aid for Independents and minor parties murder plot and hanged in 1979. Pakistan.



Mr. Bratkowski said.

# military command in Alghae in and said that it had already to read the control of the control of

o the press by Lieutenant General states this week. The second that he said had been taken and

stern message, he repeated May o the Geneva agreement of last he factorized by the Soviet troops had been within the timetable fixed by the agree United States and the Soviet by

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3 billion over two years, seeks to s billion over two years, were took icter law enforcement, tought a billitation and education. It also in their finds ng countries in their light again.

inet level "drug czar." who w rate rever thrug exar. Who we had strategy to combat drug abus. The appointment of a drug care h. The measure also makes it posses of drugs intended for personals.

#### Crashes in U.S.

AP) — A B-1B bomber crashel Air Force Base in the second and ategic jets in nine days, official, ed to safety. ion plane, which was reported to day night might have come in to aid an engine was on fire being

fficials reported that the air four two-thirds of the 98 B-18 box-rash Nov. 8 that destroyed one

Gets 8 Years in Ja aggi, a former 10-term U.S. one t years in prison for racketeering

others were convicted Aug. 5, 24 the next day. He was conven the Wedtech Corp., a defunctiig the company into a racker lollars in bribes to public offer 20vernment military contracts n sentenced to two and a half per and taking an illegal grammer ee on appeal. In the Wedtecher fines of more than \$7 million The us charges, carried up to 20 years

#### Expel Diplomats

ragis have been expelled from sh envoys have been expelled for: T, the Foreign Office said. in "activities incompatible with ce spokesman said Thursday, ex-Two weeks after Britain ende. wdered the three British diploms: llegations of improper conduct tes said it had ordered on at termed the unjustified expulsed: i. officials said Haywood Rakels a extensive contacts with these

ors in Hamburg clashed with the O members of parliament man cen protester, were hurt.

UPDATE

ing Ticket Price eral major airlines have follows raising domestic ticket price at Id return the U.S. industry was

deregulation.

expanded its fare changes wind :kets - those that are refundable Continental is making general ough some fares will decrease a airlines said they would marily res. a move expected to income e passengers using those trans e a wait-and-see approach iscuption of supplies and sens purists to leave the county at porting services in and nat the resorts. Mount Lavini and ket and People planning to visible aid. People planning to use their travel agents, the Celule

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After 25 Years, Consensus on Kennedy Assassination Is Still Elusive By Philip Shenon WASHINGTON - A quarter-century after gunshots echoed across Dealey Plaza in Dallas and left the presi-dent mortally wounded, investigators, scientists and the

public seem no closer to a consensus about the circumstances of John F. Kennedy's assessination. For many students of the events of Nov. 22, 1963, all that really seems clear is their ignorance. They know they may never-imiderstand exactly what happened that day, or

They may never have conclusive evidence that President Kennedy was the victim of a single, unstable gunman, Lee Harvey Oswald, or the target of a conspiracy that may have involved the Mafia, the governments of Cuba and the Seviet Union, radical rightist groups or perhaps even elements of the American intelligence community.

"It does not seem likely that these mysteries will ever be

solved," said Representative Louis Stokes, Democrat of Ohio, who a decade ago led a congressional inquiry into the assassination. "I think it's more likely than not that we'll never know.

\* As a group, federal investigators have yet to settle on a single theory. The Warren Commission, a presidential panel led by Chief Justice Earl Warren that included some of the most prominent lawyers and public servants in the United States, concluded in 1964 that there was no evience to prove a conspiracy.

Fifteen years later, the congressional panel headed by Mr. Stokes contradicted the commission, finding that Mr. Oswald had probably not acted alone and that the conspiracy might have included organized crime figures.

And the Justice Department said last year that it had closed its own inquiry into the Kennedy assassination by siding with the Warren panel. The department found "no persuasive evidence" to support arguments for a conspira-

The public at first seemed receptive to the conclusions of the Warren Commission, and many still accept them. In an article to appear Sunday in The New York Times Magazine, David W. Belin, a Des Moines, Iowa, lawyer who served as counsel to the panel, writes: "Any American who takes the time to examine the overall record will agree that the Warren Commission was right."

But almost immediately after its release, the commission's report came under attack by critics, some of them reputable scientists and criminal investigators, who said the panel had been seriously misled or had overlooked compelling evidence of a broad conspiracy.

Perhaps most vexing, the critics said, were the questions about Mr. Oswald that had been left unanswered by the Warren Commission, particularly those involving his connections to the Malia and to Cuba.

David E. Kaiser, an associate professor of history at Carnegie-Mellon University in Pittsburgh who has stud-ied the assassination theories, said that Mr. Oswald was "an amazingly suspicious character," and that it was "possible to believe most anything about him and damned near impossible to know what's true."

One thing that the public has come to believe about him is that he did not act alone: For the last two decades, opinion polls have found rejection of the Warren Commis sion's findings.

According to a recent New York Times-CBS News Poll,

66 percent of Americans believe there was a conspiracy to sinated as the result of a conspiracy." The finding was kill Mr. Kennedy, as against 13 percent who believe Mr. based largely on the results of an acoustical examination Oswald was alone responsible and 21 percent who express

Sixty-one percent agree that there has been an "official cover-up to keep the public from learning the truth about

#### 'It does not seem likely that these mysteries will ever be solved.

Louis Stokes, who led a coogressional inquiry into the assassinatioo.

the Kennedy assassination." And nearly half, 46 percent believe it would now be impossible to establish the full truth about the president's death.

Mr. Oswald, one of the most curious assassins in the annals of crime, was a 24-year-old former Marine who had traveled to the Soviet Union in 1959 and did not return home for more than two years. He was a fervent supporter of Fidel Castro, the Cuban leader, who, it was later learned, had been made a target for assassination by the CIA. Shortly before the shooting of Mr. Kennedy, Mr. Oswald had visited Mexico in an effort to secure a visa from the Cuban Embassy for travel to Cuba.

The public's belief that he had accomplices was boltwo-year inquiry that Mr. Kennedy was "probably assas- dy assassination, to organized crime.

of the assassination site that indicated a second gunman.

But the panel found no strong evidence to link Mr. Castro to the shooting.

Many conspiracy theorists agree that although the Cu-ban leader knew he was a CIA target and may have wanted to strike back against the president, he would not have used an unstable assassin like Mr. Oswald,

Mr. Stokes traveled to Cuba as part of his panel's investigation and met with Mr. Castro. "I asked him directly whether he was involved in the assassination," the congressman said in a recent interview. "And he told me, 'Listen, I would have to be crazy to kill the president of the United States. They would wipe my little country off the face of the Earth."

For many of the same sorts of reasons, the committee also ruled out involvement by the Soviet Union and other foreign governments. And it discounted rumors that the FBI might have been involved.

The panel instead suggested that the culprits might have but had not necessarily — included organized crime figures like Carlos Marcello, the leader of the New Orleans Masia, and James R. Hoffa, then the president of the loternational Brotherhood of Teamsters. Mr. Hoffa had been known to associate with Mafia leaders and he was a particularly bitter foe of Attorney General Robert F. kennedy, the president's brother.

The finding was based in part on evidence that tied both stered in 1979 by Mr. Stokes's panel, the House Select Mr. Oswald and Jack Ruby, the Texas nightclub owner Committee on Assassinations, which concluded after a who gunned down Mr. Oswald two days after the Kenne-

Mr. Oswald was the nephew of a New Orleans book-maker associated with the New Orleans crime network run by Mr. Marcello. Mr. Ruby had been involved with the Mafia since his childhood in Chicago and had been linked to Mr. Marcello and another underworld leader, Santo

Trafficante of Tampa, Florida Mr. Marcello, who is still alive and has denied involvement in the Kennedy assassination, had a long-running feud with the Justice Department and with Robert Kennedy, who had vowed to crush the American Mafia and had

singled out Mr. Marcello. By eliminating President Kennedy, the theory goes, the Mafia could remove his brother from power et the Justice Department. The theory holds that John Kennedy was a more inviting target for assassination than Robert Kennedy since the president, if he remained alive, would be likely appoint e oew attorney general with e comparable distaste for the Mafia.

And Mr. Ruby was ordered to silence Mr. Oswald, according to the theory, because of concerns that Mr. Oswald was unstable and might disclose the conspiracy to

The House panel's assertion of a conspiracy was bolstered by testimony from acoustics experts who said an audiotape from the site of the assassination strongly

indicated that there had been at least two gunmen. But that assessment has since been disputed. In 1982, a panel of the National Academy of Sciences found that the tape did not support findings of e second gunman. The panel said that ooises earlier identified as gunshots were

probably nothing more than police radio static.

#### Why Sununu? Aides Say Bush Felt He Needed a Battle-Ready Politician

By David Hoffman

Washington Post Service WASHINGTON -On Election Day in Houston, George Bush told his closest advisers that he wanted the departing governor of New Hampshire, John H. Sununu, to be his White House chief of staff.

"You want someone who's run for sheriff," Mr. Bush said, according to several participants. The desire for a politician who

has run for office and for someone with stature was the driving force behind Mr. Bush's choice of Mr. Sununu, aides say. It explains why he passed over his current chief of staff, Craig L. Fuller, who pre-ferred a low-key devotion to process rather than the rough and tumble of political combat. There was a difference in stat-

ure," said a long-time Bush asso-ciate familiar with the decision. "In this particular environment, with the Democrats gaining in Congress, we needed someone with stature," the associate said, someone who can call up Jim Wright, the speaker of the House, and com-

mand attention. Another person who has worked closely with both Mr. Fuller and Mr. Sununu said Mr. Bush "truly believes that anyone who's had an ing the campaign.

The sources said this view was and government."

had drawn him to Mr. Sununu, Mr. Bush cited his leadership of the National Governor's Association. "He's a take-charge kind of guy," Mr. Bush said. "He's very active. very energetic and I am very, you know, close to him personally.

But the choice of Mr. Sununu. 49, was not decided that day in Houston, After Mr. Bush expressed his view, his campaign chairman, James A. Baker 3d, quickly came up with the idea of forming a troika in the White House in the mold of President Ronald Reagan's first term, when Mr. Baker was the chief of staff, Michael K. Deaver the depoty chief of staff and Edwin Meese 3d counselor to the presi-

According to people familiar with the events, Mr. Baker felt that both Mr. Fuller and Robert Teeter. Mr. Bush's poll-taker and strategist, would be needed in a Bush White House. These people said Mr. Baker believed that Mr. Fuller would help bring order to the staff and discipline to Mr. Bush's schedule and activities, as he had in recent years. They said Mr. Baker also believed that Mr. Teeter would be crucial in overseeing policy and issues for Mr. Bush, as he had dur-

close associate of Mr. Baker who worked in the White House with Mr. Fuller during Mr. Reagan's first term and with Mr. Teeter during the Bush campaign. Mr. Darman is considered the leading candidate to be Mr. Bush's budget director.

The troika idea was in full swing within 24 hours of the election. Mr. Baker, according to sources, spoke to Mr. Teeter and Mr. Fuller about it and also tried to sell the idea to the president-elect. Mr. Baker suggested that Mr. Fuller serve as deputy chief of staff, pointing out that Michael K. Deaver had wielded considerable influence with the same title in Mr. Reagan's first

But the plan ran into one prob lem; the three people involved, while part of the team that belped Mr. Bush get elected, did not want to work together in the way Mr. Baker envisioned. Mr. Fuller, 37, a former public

relations executive who joined the Reagan White House in 1981 as cabinet secretary, served as the se-nior traveling adviser to Mr. Bush during the campaign. He said he told Mr. Busb on Oct. 25 that after eight years in government he was thinking about looking for a joh in business. Mr. Fuller said be told



Mr. Sununu signaling a positive reaction to Mr. Bush's comments.

chief of staff was the one job for a Bush administration. But Mr. which he would remain in govern- Teeter this week expressed a desire

Mr. Teeter, 49, was apparently after the transition. not enamored of the troika idea. Mr. Sununu, who was instru-But people who know him say he mental in helping Mr. Bush win the may still go to work in the Bush crucial New Hampshire primary, White House, Mr. Teeter was in- had left no doubt that be did not strumental in shaping the themes want to come to Washington for a of the Bush campaign this year and subordinate role and had said be

to return to his home in Michigan

shared by Richard G. Darman, a Mr. Bush that the White House may oversee policy development in would not accept a cabinet post.

## Democratic Party Chief Might Stay

#### Kirk's Candidacy Could Deflect Former Jackson Aide

By Paul Taylor

Washington Pint Service WASHINGTON - The state chairmen of the Democratic Party are in Phoenix, Arizona, this weekend for a review of the 1988 elections and a preliminary attempt to figure out who will lead the party for the next four years.

A few weeks ago, many Democrats were fretting about the bruising battle ahead over the party leadership. The fight seemed riddled with racial, ideological and

geographic overtones. Now, after the party's defeat in the presidential election, the very fear of that fight appears to have triggered an exercise in avoiding

The central figure is the chairman of the Democratic National Committee, Paul G. Kirk Jr. After stating publicly for the last year that he would step down when his term expired in January, he is now eassing the word that he will consider staying on for a second fouryear term.

If he does, it would mean that the chairmanship - which historically has been reserved for a tactician and fund-raiser - would not become a forum for docurinal disputes about whether the party needs to move left or right, north or

"If there's one election that real-

about competence, it's this one," said Ann Lewis, former political director of the national party.

Mr. Kirk, 50 has told friends that be will not make up his mind until oext week, but he has made clear that he will be asking the state party chairmen, on whom he has the last four years, to make their best case this weekend for him to stay on.

"ft's a bit like Santa Claus asking a bunch of 7-year-olds if they really appreciate him," a party insider

"Kirk is the perfect choice," said Representative Tony Coelho of California, the House Democratic whip. "He's done a terrific job of building the structure of the party, and that's one of the reasons wby. even though we lost the presidency, we did so well at all other levels."

Mr. Kirk is said by associates to have two motives for his apparent change of beart. One is that he had expected to go out a winner, "To watch the party lose a presidential race he thought it could win doesn't sit well with him," a friend said. "He feels like the job isn't done yet." The other is that be wants to spare the party the difficultly of replacing him.

That task appears unusually sen-

ly sbouldn't be about ideology, but run, one of the leading candidates to replece him would be Ronald H. Brown, a Washington lawyer who has had long service in Democratic circles, most recently as the Reverend Jesse L. Jackson's 1988 convention manager. Mr. Brown has also served as deputy chairman of the party, as director of one of its lavished money and attention for rule-making panels, and as a political aide to Senator Edward M. Kennedy of Massachusetts during his 1980 presidential campaign.

> Mr. Brown is the first black to mount what would be considered a major run for the chairmanship. He also is being termed by some in the party as the "Jackson candidate," a designation that rankles him.

Mr. Jackson supports Mr.

Privately, many of his supporters say they see Mr. Kirk's willingness to consider staying on as a stop-Brown and stop-Jackson move, and there could be friction as a

if Mr. Kirk does not run, two other potential candidates are Rick Weiner, chairman of the Michigan party, and former Representative Jim Jones of Oklahoma. Both have said that if Mr. Kirk runs, they will not. Others who will be testing the waters are former Representatives Michael Barnes of Maryland and sitive because, if he chooses not to Jim Stanton of Ohio.

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#### **AMERICAN TOPICS**

#### Cloning May Bring Perfect Yule Trees

Cloning of Christmas trees by the millions may be the answer to heavy competition from plas-tic trees, which shed no needles and can be stored away to rise again year after year. The New York Times says as many as onethird of all trees decked out in holiday finery this year will be

For consumers, the perfect tree must be conical and straight, with branches that lift at a 45degree angle, and thick needles that hide the trunk and do not fall off to litter the living room floor. For the producer, the per-fect tree should attain full growth rapidly, in about seven years, and resist pests.

Growers are increasingly looking to laboratory techniques to produce a tree that will grow at a uniform rate and permit mass harvesting. Cloning is one of the most promising methods: a tree with all the desirable characteristics is found and a piece of it -a bud, for example — is treated in the laboratory to reproduce an exact genetic copy of the parent. But so far, said Dr. Dan Keathley, associate professor of forest genetics at Michigan State University, "we have not been able to get the efficiency up to a commercial level that is cost-ef-

#### **Short Takes**

Sweet Briar College in Virginia is observing the 40th anniversary of the postwar Junior Year in France program for American college students. The program began in 1923, sponsored by the

The Flawless Straight trunk Thick two-inch n Limbs angle upward at ■ Uniform conical shape tapers upward at 35-45 degrees

University of Delaware. Inter-rupted by World War II, it was revived by Martha B. Lucas, then Sweet Briar's president, in 1948. When the first contingent of 67 students from 32 colleges and universities arrived in postwar Paris, they had hot water two days a week and electricity five days a week. Milk, flour and eggs were scarce. The program has since sent 4,200 students from 251 institutions in the United States and Canada to France for their third year of college.

Current military contractor frands have spawned The De-fense Litigation Reporter. For \$654 a year, the twice-monthly publication offers the services of ging through "a slew of docu-

ments, some containing vital insider company information," according to Pasha Publications, military issues. Pasha warned potential subscribers that as more fraud cases come to light, "your own information-gather-ing will be taxed to the limit."

A new electronic toll system that will "read" a special automobile tag may help motorists whiz by toll booths. The number of es a vehicle goes through the toll gate would be recorded by computer and a monthly bill charged. The system, called automatic vehicle identification, or AVI, uses a radio frequency beam transmitter mounted in each lane that will read a serial number from a tag mounted on each vehicle. Dallas is experimenting with the system and New York City plans to try it as

A bronze bust of the late actor James Dean has been put up at the Griffith Observatory in Los Angeles, near statues of Copernicus and Sir Isaac Newton. A long sequence of Dean's first starring role, in the film, "Robel Without a Cause," took place at the observatory. The bust was donated by its creator, Kenneth Kendall, who fashioned it 33 years ago at the actor's request. Dean was killed in a car crash at the age of 24 before the bust was

At an indoor ice-skating rink in Englewood, New Jersey, Karen Sadock, a New York Times reader, overheard this conversation near a row of video games;

Mother: Scott, please come
away from there. We do not play

all son: Why not, Monney? Mother: Because we're fuddyduddies, dear.

Arthur Highee

#### 'Amos 'n' Andy' Comment Regretted by Congressman

WASHINGTON — Robert H. Michel, the House Republican my public record of over 32 years leader, has apologized for nostalgic remarks about minstrel shows and the "Amos 'n' Andy" radio program that have been criticized as

racially insensitive. In a television interview over the weekend, the congressman from Peoria. Illinois, recalled those en-resign. The group's national headtertainments with fondness and also suggested that attempts to replace racially offensive language in songs amounted to an effort to re-

Cord account number

as a congressman is without the slightest blot of bigotry or racial

On Tuesday, the chapter of the National Association for the Advancement of Colored People in Peoria called for Mr. Michel to quarters issued a reprimand.

"I find it shocking," said Benja-min Hooks, the national executive director, "that be would express a vise an aspect of American culture. nostalgic yearning for symbols that But in a statement this week he himself recognizes are considsaid: "I realize there is no excuse ered demeaning by many people."

#### Quayle Vacancy Won't Go to Wife

WASHINGTON - Marilyn Quayle said Friday that she was not rested in the Senate seat from Indiana being vacated by her husband, Vice President-elect Dan

There had been speculation that Mrs. Quayle, a political conservative, might be named to the seat.

Mrs. Quayle discussed the matter on Thursday with Governor Robert Orr of Indiana, a Republican, who will pick a successor when Mr. Quayle leaves the Senate. "I have informed Governor Orr that I am not interested in being appoint-ed to fill my husband's seat in the U.S. Senate," she said.

#### Pentagon Gives Reagan **Final Options List for Disputed Soviet Radar**

tiating session in Geneva two

weeks ago.

The administration has previ-

ously insisted that the radar and its

concrete foundation be destroyed

because it is capable of providing

early warning of a U.S. missile at-

tack, but was not located on the

nation's periphery as required by the 1972 Anti-Ballistic Missile

At the recent talks, a Soviet dele-

gation dominated by military offi-cials disappointed a U.S. delega-

tion led by William F. Burns, director of the Arms Control and

Disarmament Agency, by promis-ing instead to complete the radar and allow continuous, internation-

al inspection of its operation by civilian scientists. Mr. Burns reject-

ed Soviet assertions that the radar

could be used only to track space

objects, a permitted activity under the Anti-Ballistic Missile Treaty.

experts have reached no consensus

on the acceptability of Soviet mea-sures that fall short of destruction.

But one noted a willingness to

study any alternative that would

seriously complicate future use of the radar to monitor a U.S. missile

attack, including pouring a thick

layer of concrete over the radar's

face or replacing its existing transmitter with a device capable only of

peering into space.

U.S. officials said administration

By R. Jeffrey Smith

Washington Post Service
WASHINGTON — The Defense Department has given Presi-dent Ronald Reagan a final report on military options that he could pursue because the Soviet Union refuses to destroy a partly completed radar in eastern Siberia, according to senior U.S. officials.

But Secretary of Defense Frank C. Carlucci also expressed reservations about carrying out the opment of more missile-firing submarines and new missile defenses, without first renewing efforts to reverse the Soviet decision. the officials said

"We prepared the list as request-ed," a knowledgeable official said. But he added that officials viewed each of the options as having "some very unattractive aspects." The options on the list that seemed genuinely useful were too expensive, another senior administration adviser said, "and everything else does not appear to make

One option, which calls for reversing the planned retirement of several aged Poscidon submarines, would cost nearly \$1 billion, the

Another option, calling for ac-celerated testing and development of a limited defense against Soviet ballistic missiles, would cost additional billions, as would widespread deployment of nuclear war-head decoys designed to fool any possible Soviet missile defense.

The State Department advised against the options after reviewing a draft version of the report last week. It argued that the immense radar near the city of Krasnoyarsk posed no immediate military threat to the United States. The department instead recommended that the administration emphasize its longstanding demand that U.S. concerns be resolved before signing a new accord reducing strategic nu-

Officials at the White House and the Soviet Embassy in Washington have expressed interest in settling the dispute through more negotia-tions, despite public declarations of an impasse after a three-day nego-

#### A U.S. Warning on Aspirin

The Associated Press WASHINGTON -- The Food and Drug Administration has proposed requiring labels for aspirin that would warn pregnant women against taking the pain reliever during the last three months of pregnancy because of the threat of bleeding.

# 'Forgotten' American Youth

Millions Lacking College Slip Into 'Economic Limbo'

By Spencer Rich

Washington Post Service
WASHINGTON — The "forgotten half" of American youth — 20 million persons aged 16 to 24 who will never go to college — is rapidly falling into an "economic limbo" that threatens to undermine U.S. productivity and living standards, a blue-ribbon panel has reported.

The youths are largely white, but an increasing share are black, Hispanic and Asian. A large proportion come from low-income areas of the South and West as well as inner-cities nationwide. At least a quarter never finish high school.

"America shortchanges half its youth, the half that doesn't go to college," said Harold Howe 2d, a former U.S. commissioner of education who headed the 19-member Commission on Work, Family and Citizenship funded by the nonprofit William T. Grant Foundation.

The foundation's report, made public Thursday, sketched this portrait of what it calls the "forgotten half": "Their lives as adults start in the economic limbo of unemployment, part-time jobs and poverty wages. Many of them never break free." Mr. Howe added at a news conference Thurs-

day: "Noncollege youth have shaky launching pads for their young lives." He said that the United States, in its own interests, must stop thinking of these youths as "second-rate or a generation of misfits."

Samuel Halperin, the study director, added: Neglect of this segment is undermining the skills and productivity of the future labor force of this country, and therefore its future living standards. Too many people are not equipped to work. In our own selfish interests, they shouldn't be consigned to the trash heap."

The blue-ribbon panel called on the government to commit \$5 billion a year in new funds over the

next 10 years to enlarge Head Start, the Job Training Partnership Act, the Job Corps and the Chapter f program to provide remedial education for disadvantaged children.

In addition, it recommended \$250 million a year to create "Fair Chance," a widespread system of demonstration projects combining various community organizations in programs to provide guid-ance and local "mentors" for low-income youth. The report also called for volunteer programs to involve poor and affinent youth in community-service projects that would help their own develop-

ment, self-confidence and capacity to work. President-elect George Bush proposed a community-service youth-volunteer program on Oct. 4 with \$100 million in federal grants to be matched

by private money.

In an era when jobs increasingly require more skills and are becoming more complex, lack of adequate education, poor income, health care and child-care aid are major barriers to advancement,

the report said. ft said these factors were part of the reason along with a general productivity slowdown since 1973 and a reduction in high-paying manufactur-

ing jobs — why inflation-adjusted wages of non-college youth dropped sharply from 1973 to 1986. The report said average annual earnings of young men aged 20 to 24 who had not finished high young men aged 20 to 24 who had not immsner may school dropped 42 percent from 1973 to 1986 after accounting for inflation. Earnings dropped 28 percent among youths who had finished high school but gone no further, according to the report.

By contrast, the income of college graduates

remained essentially the same after accounting for

Over the same period, the report said, the proportion of all families headed by a person under 25 that fell below the government's official poverty line jumped from one-sixth to one-third.

## Make Israel Pay Tariffs, Groups Tell U.S.

By Stuart Auerbach

Washington Post Service
WASHINGTON - Reagan administration trade officials have heard arguments from Arab-American organizations that fsrael's treatment of Palestinian workers in the occupied West Bank warrants that Israeli products should lose duty-free entry into the United

This is the first test of Israel's human rights record under U.S. trade laws, which require countries with duty-free access under the Generalized System of Preferences, or GSP, to follow international norms for workers' rights. The administration also is reviewing the labor practices of Syria, Malaysia, Burma, Haiti and Liberia.

The arguments were made Thursday at a hearing conducted by the U.S. Trade Representative's office. The hearing was opposed by the State Department on the ground that it appeared to legitimize Israel's occupation of the

The government of Israel, Jewish-American organizations and new U.S. labor defended Israel's record said.

many Palestinian unions are fronts for terrorists and the Palestine Liberation Organization.

"Israel is pretty confident that this ploy by the American-Arab Anti-Discrimination Committee will prove to be another futile extr-cise in propaganda," said Yossi Gal, press attaché at the Israeli Embassy. "This is just another attempt to embarrass Israel."

Israel sent nearly \$500 million in duty-free products to the United States under the Generalized System of Preferences program last year. In addition, it benefits from a free-trade pact with the United States concluded two years ago, but tariffs will not be lifted under that agreement for another six years. By coincidence, U.S. trade offi-

cials have just completed a review of the free-trade pact and say they believe they have reached a settlement in which Israel would remove a series of special taxes that were seen as discriminating against American products. But no formal. eement is likely to be ratified and signed until Israel forms its government, U.S. officials

Israel's privileges under the Generalized System of Preferences, the American-Arab Anti-Discrimination Committee accused Israel of persistently denying internationally accepted workers rights to Palestinians who work as day laborers in Israel and of harassing union

organizations on the West Bank. Mohammed Rashid al-Reshiq, secretary-general of the Drivers and Mechanics Union in East Jernsalem, told the hearing that Israel restricts his union's ability to communicate with its members and harasses union officials at their office.

Another union leader, Khalil Touma of the General Federation of Trade Unions in the West Bank, said that leading union activists had been deported by Israeli mili-tary authorities and that others had been restricted to their towns. These actions against unions have intensified since the West Bank up-

rising started a year ago, he said.

Israeli officials and U.S. labor and Jewish organizations attacked this testimony. It is another coor-dinated Arab effort to drive a wedge between the United States Thailand and Turkey are not even and Israel," said Meyer Eisenberg, to be examined."

in 11 of ftaly's biggest cities is dan-

Some champions of the environ-

ment worry that the burst of inter-

representing the Anti-Defamation League of B'nai B'rith.

He said the unions that have have been restricted by Israel have engaged in political activities. "A number of unions are mere covers for terrorists, the PLO," he added.

David Twersky of the Jewish Labor Committee said Israel's treatment of unions complies with requirements of the International Labor Organization, "The ILO has also confirmed that the state of Israel respects trade union rights in the West Bank and the Gad Strip," he said.

Rudy Oswald, director of economic research for the AFL-CIO. the largest U.S. labor federation, said that it is AFL-CIO's view that "the investigation of Israel for workers' rights abuse is a grave mistake which obscured the purpose and intent of the law."

Mr. Oswald continued: "Israel, a country whose Arab citizens enjoy rights they dare not even dream of in most Arab states, is in the dock-et, while workers' rights violations of such countries as Indonesia,

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## Suddenly, Italians Discover Pollution

By Roberto Suro New York Times Service MANFREDONIA, Italy — In

esponse to a series of environmental emergencies, angry and sometimes violent crowds have taken to the streets of several ftalian cities recently to express what they call 'the rage of the poisoned."

As Italy belatedly discovers that much of its air and water is severely polluted, the government has quickly begun adopting clean-up plans in the face of demands for more ambitious action to prevent

This little Adriatic port has been the scene of the most dramatic protests. The doors of Manfredonia's city hall have been set afire, mobile have set up roadblocks sealing off the town for as long as three days and terrorist bombs have been set off near the petrochemical plant that has aroused so much anger.

Elsewhere, general strikes and other forms of protest have compelled the government to change plans for the handling of toxic wastes, and Parliament is now considering a completely redesigned energy policy because of an overwhelming vote against nuclear power plants in a national referenium last year.

"We are very, very late in concerning ourselves with pollution," Environment Minister Giorgio Ruffolo said in an interview in his Rome office, "because for decades ing the maximum economic growth behind some of its northern neighpossible in the minimum amount of bors, Italy is now considering man-

Meanwhile," he added, "environmental problems have built up along with popular dissatisfaction and now both are exploding."

According to Antonia Cederna, an independent leftist member of Parliament, a dramatic cultural

'The whole national territory is considered no-man's-land, something to be used and manipulated by whoever gets

there first.' Antonia Cederna, independent member of Parliament

change is taking place in ftaly, where "the whole national territory is considered no-man's-land, son thing to be used and manipulated by whoever gets there first.

"The problem," Mr. Ruffolo said, "is that everyone wants material wealth and a clean environment, but no one wants to pay the price because most Italians are happy so long as the pollution is somewhere else."

Battles over environmental protection have been fought in the rest of Europe for years and even de-cades, but nowhere has the issue erupted so suddenly as in ftaly.

The government has already ment to its most ambitious project, a 10-year plan to clean up industri-al, agricultural and urban pollution of the Po River basin. After approving the plan, the cabinet cut half the financing for the first year's work from the 1989 budget.

Mr. Ruffolo argues that money itself is not important, reporting that after an aggressive building program, half of ftaly's sewage treatment plants do not function property because of mismanagement. His strategy is to exploit Italy's fear of environmental crisis by

datory reductions in automobile emissions because Mr. Ruffolo has His greatest success so far came after disclosures last summer that demonstrated that the atmosphere ftalian companies were payid! Third World nations to accept toxic wastes that were left untreated in dangerous dumps.

In the midst of the scandal, Mr. Ruffolo persuaded the government to issue an emergency decree that not only outlawed the export of wastes to nations unequipped to handle them properly but also es-tablished Italy's first comprehen-sive plan to deal with these toxic

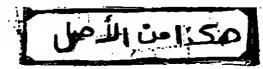
Opposition, however, came from the ports ordered to receive ships

carrying toxic wastes. Protests were staged in Genoa. Livomo and Ravenna, but no city reacted as strongly as Manfredonia, where a load of wastes was supposed to be unloaded and catalogued at the petrochemical plant run by Enichem Agricola, a stage owned company, before being sent elsewhere for treatment.

Having essentially defeated that plan, newly formed canzens' com-mittees raised the stakes by de-manding that the plant be shut down because of past contamination problems.

The plant was built in Manfre donia in 1972 because of demands that traditionally poor towns-like this port of 57,000 inhabitants get their share of ftaly's industrial

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# an Youth Beset by High Inflation, China Struggles to Rein In a Runaway Economic Success

Seonomic Limbo enlarge Head Start, the Job Tisk Act, the Job Corps and the Ok-to provide remedial education is

na — Lin Xiaojuan, a factory direc-tor and Communist Party member, juns a sweamhop with a heart. Her children.
it recommended \$250 million be workers soil long and hard at what would be considered paupers' wages elsewhere in the world to in recommended \$250 million are Chance," a widespread system projects combining various to projects combining various to memors" for low-income your memors" for low-income your contest of the combined for volunteer prosess. iso called for volunteer program affinent youth in commo that would help their own dow

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Ty inflation-adjusted wages of a dropped sharply from 1973 wise said average annual earning ad 20 to 24 who had not finished.

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Rudy Oswald, director of

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harder than those in other stateidence and capacity to work owned enterprises elsewhere in the country, their benefits far exceed idence and capacity to work set George Bush proposed a personant of the second those of most Chinese workers. ion in federal grants to be nate hen jobs increasingly require

This relatively small factory, which operates in many ways like a capitalistic enterprise, and thousands of others like it here have made Guangdong Province the top exporter in China.

Westington Paul Service
CHASHAN TOWNSHIP, Chi-

duce thousands of Roger Rab-

bit dolls each week for the U.S.

Although the workers labor

The 65 million people in the province are China's richest. Ramfactors were part of the reason in high-naving manners. bunctious and unorthodox, they are China's leading consumers and spenders. They live in a freewheeling world that has resulted from the
economic program of the Communist Party leadership.
But development has been uneven in China. A 5,000-kilometer

d 42 percent from 17/3 to 176 & inflation. Earnings dropped 22 ouths who had finished high strather, according to the right of the income of college grade. (3,000-mile) - trip through two provinces illustrates the contrasts between the country's rich and

Guangdong, situated on the southern coast, is pointed to by many people as the pinnacle of the many people as the pinnacle of the modernization drive. Half of the foreign investment funds entering China come here. See Guangdong. people say, and you will see the

Beijing's delegation of economic powers to the provinces has been an essential part of the effort begun

First of two articles

a decade ago by the paramount leader, Deng Xiaoping, to trans-form the centralized, Soviet-style economy into one that responds to market forces, as in capitalist countries. The changes have improved the lives of a majority of China's 1.07 billion people, but they have also brought inflation and corrup-

While prosperous provinces like Guangdong have helped fuel the economy, their success has also created problems for the central government. At a time when Beijing has declared inflation to be the No. I enemy, booming, unregulated production in Gnangdong bas belped to bolster the Chinese inflation rate to the highest levels in nearly 40 years of Communist rule.

nese leftist critics call economie and social chaos, and a lowering of living standards for millions.

Beijing's quandary is visible in Guangdong, where more than a year ago the Communist Party leader, Zhao Ziyang, seized on the idea of making the successful province a model for the entire Chinese coast and its 150 million to 200 million people. Because of various factors, including a sense in the capital that Guangdong is out of control, the plan has been quietly

For Beijing, the fact that nearly everyooe in Guangdong listens more to nearby Hong Kong than to the capital is part of the problem. Even this relatively tiny township of Chashan, surrounded by rice fields, is more in touch with the rest of the world than it is with Beijing. The township is situated about 60 miles from Hong Kong, while Beijing is 1,200 miles to the north in a region where ways of speaking and thinking differ greatly from those of Guangdong.

"Their basic attitude is that they Beijing is now trying to regain mist who visited Guangdong some economic control from the They can tap money from all over mist who visited Guangdong. about \$2,700, a year, to be rich.

"They pay attention to what the trket wants," he said "not Beilmarket wants," he said, "not Beij-

The real struggle in China now, he said, is not the light against inflation but Beijing's battle to controi regional powers. Most people in Guangdong

Province were considered poor 10 years ago. But their fortunes improved in the late 1970s with the start of major agricultural changes. The government broke up communes and allowed farmers to make many of their own decisions. It also gave them the right to sell some produce on the free market. As a result, rural incomes in Chi-

na more than doubled from 1978 to 1982. In Guangdong, the changes have been more remarkable than in most parts of China, Peasant income in Guangdong reached more than 600 yuan (\$161) a year in 1987, compared with a national average of 463 yuan. Those farmers who took on factory jobs — five million farmers in Guangdong million farmers in Guangdong situated Dongguan, was the first in have done so — bolstered their China to install a microwave teleaverage incomes to more than 2,400 yuan a year. The Chinese have long consid-

don't need the central government ered anyone in their country who more than 20 countries. Most Chianymore," said a Western econo-The county in which Chashan is Lin Xisojuan, the factory owner,

province, but critics say wealth is merely widening the gap between rich and poor.

a private seamstress. But she could

Guangdong is

China's most

prosperous

communications nerwork for all of its towns and villages, putting them in direct telephone contact with

rationed. She survived by mending and patching clothes. Now, while many of her workers

carn up in \$100 a month, she can not want to kill its "golden goose," it does want to rein it in.

People in Chashan township, as in much of Guangdong Province. are motivated by a desire for material gains and a knowledge of how well their fellow Chinese have done in Hong Kong and elsewhere in

Many businessmen who come here from Hong Kong to invest in Dongguan County and provide it with vital technological know-how were born in China but fled to escape poverty and communism. Today, no one holds that against them; they and the capitalistic management techniques they preach are warmly welcomed.

Also welcomed are laborers brought in from other parts of the country. Because Lin Xiaojuan's sales are brisk, ber Chashan township factory is constantly short of workers to meet the American demand for dolls. Young workers come from as far as 800 miles away to labor there.

For Beijing, the biggest problem is that Guangdong seems out of control. For example, Beijing reliterally went from rags to riches in Guangdong Ms. Lin, now in her 50s, started working decades ago as cently discovered that the province not get enough cloth in make dresshad been illegally exporting pig iron to earn foreign exchange while es because basic items were tightly China had, and still has, a steel

shortage. While the central authorines do

With half of the foreign investment funds entering China going to Guangdong, the government must

The government has also realized that its plan to use Guangdong as a model for the coast cannot be carried out now. With increased automation, labor is no longer the major factor it once was in production costs. Labor in China, much of it inefficient, is often not cheap when the cost of productivity per person is calculated. And Guangdong's close ties with Hong Kong give it advantages over other cities.

The central government has cherished another view that seems to be losing credibility. The idea was that the wealth of Guangdong and other relatively prosperous provinces would "trickle down" to the poor provinces.

But it now seems to be accepted that for years to come, the economie divide between the coast and the interior will grow rather than narrow, creating new strains in a country that is already suffering from a sizable gap between rich and poor.

Monday: The poor provinces fall

#### me period, the report said, the families headed by a person metry with government's official preform one-sixth to one-third. Trade Pact Is Defended ps Tell Us By Thatcher

representing the Anti-Dec League of B'nai B'nth WASHINGTON - Prime Min-He said the unions the ister Margaret Thatcher of Britain have been restricted by la has vigorously defended the U.S.-Canada Free Trade Agreement, saying that it would be "a great blow" to world trade if the agreeengaged in political acing number of unions are ment for terrorists, the PLO," be: ment were rejected by Canada and that rejection could severely dam-David Twersky of the legbor Committee said Israeli age Canadian credibility in future ment of unions complies -

At the end of her visit to Wash-ington, Mrs. Thatcher said in an interview that the consequences of the agreement not going ahead would be "very considerable."

Asked if it would be a hlow to world trade, she replied, "When a country has gone in good faith to negotiate a major agreement with another country, it would be a blow "if that agreement were not ratified.

if Canada should repudiate the pact, Mrs. Thatcher said, "it would be very difficult for any prime minister of Canada to go and negotiate another agreement with another

She added, "If you've done a prolonged negotiation and you're not prepared to do everything you can to see that that goes mio legis-lative form with all the working systems et cetera; then how can you

ver negotiate again?"
In earlier remarks at a press conference, Mrs. Thatcher said she saw reticence about approving the U.S.
Senator Lloyd Bentsen, Demotrade pact and the British attitude
about accepting full integration the United States "almost unlimitthe United States "almost unlimitthe United States "almost unlimitthe United States "almost unlimitthe United States "almost unlimitto recognize the declaration of a
least German Recognition

East German Recognition into the West European economy eafter 1992.

- (Continued from page 1)

bers of the International Air Trans-

Today, nonstop flights from Hong Kong to cities in Britain and

Europe take a circuitous route over

Kunming in southern China,

northern India, Pakistan and Af-

glianistan before entering the Sovi-

et-Union. Flights from Europe to

Hong Kong follow the same route

In recent months, several inter-

national Hights have been delayed or diverted because of military op-erations in the air over Afghani-

stan, where fighting has stepped up

las and Soviet and Afghan forces.

There have also been delays

eaused by communication prob-

in Afghamstan and Pakistan.

lems between air traffic controllers

" A longstanding dispute between Pakistan and India has closed the

airspace over Kashmir to planes

kok or Hong Kong, adding adding

nearly half an hour in flying time to the trip, air transport officials said.

detour alone cost operators \$50

million a year in extra fuel and

ing between Europe and Bang-

One official estimated that this

There are about 180 flights a

week between Europe and Bang-

In Hong Kong an executive of

Cathay Pacific Airways said the

tradiness of Beijing and Moscow to consider opening shorter routes be-tween the Hong Kong and Europe

through Chinese and Soviet air-

space "must be seen as part of their

blocked door for a long time."

warming relationship because the

When the last discussion of such

1983, China and the Soviet Union

In London, a spokesman for

British Airways said that "in the

last 12 months, with the relaxation

in attitudes between China and the

Seviet Union, these straight-

from Hong Kong have become a through overflight paths to and

Since 1987, there have been sub-

stantial troop reductions along the

Chinese-Soviet frontier, cross-bor-

der trade has increased and agree-

ments have been reached on de-

both opposed the plan.

kek and Hong Kong.

tween anti-government guerril-

in the opposite direction.

sirline officials said.

#### CANADA: High Stakes on Trade SOVIET:

(Continued from page 1) have the world's largest two-way

trading relationship.

Trade in goods and commodities totaled \$131 billion last year, and that does not include the value of services, which is more difficult to

Canadian critics say it would turn Canada into a virtual colony of the United States and would endanger Canada's network of social programs, including health in-Surance and old-age pensions.

They also say that the bulk of

Canadian exports already enter the United States tariff-free, and that a thriving two-way trade would contime, regardless of the pact's fate. Proponents in Washington and in Canada assert that the trade pact is essential to building an even

greater economic partnership be-tween the two countries. Senator John Glenn, Democrat of Ohio, said the agreement would "make both of our economies more

The debate over the agreement comes as the European Community is tearing down its internal trade barriers and moving to form a single, unified market by 1992. U.S. lawmakers see new oppor-

tunities to export California wine, West Virginia coal, and Oregon lumber, not to mention computers, telecommumications equipment, and-countless types of truits and vegetables. Senator John H. Chafee, Repub-

lican of Rhode Island, has praised the agreement because it would provide New England with secure energy supplies, hydroelectric pow-

ed access to invest in Canadian energy" resources.

FLIGHT: China and Soviets Cooperating on Routes

Union are expanding commercial

aviation as part of an effort to de-

velop their economies and provide

wider openings to the outside

directly to Enrope over the Soviet Union," he said.

the Soviet Union which is also ex-

panding its commercial aviation

fleet and wants to extend services

in the Asia-Pacific region," Mr.

In recent years, Asia and the Pa-cific have been the fastest growth

areas in the world for civil aviation,

and this trend is expected to con-

International Air Transport Association officials said there was

also a growing demand from busi-

ness travelers and other passengers

for direct, nonstop flights between

In 1983, there were only 14 non-

stop flights a week between Europe

and Southeast Asia via the Soviet

Union and Afghanistan. All were between Copenhagen and Bang-kok. Today, the officials said, there

are about 210 nonstop flights a

week on the same route linking European cities with New Delhi,

Bangkok, Singapore and Hong

The two new more-direct routes

that are under study run northwest

border with the Soviet Union.

west to Alma Ata. From Novosi-

Planes joining the existing Soviet

Colin M. Gibson, publisher and

executive editor of Asian Aviation,

a monthly magazine, said that if

it would radically alter the pattern

either of these routes was realized,

of long-haul flying between Asia

"There would be an upsurge in

nonstop flights, and one-stop ser-vice between Australia and Europe, as are women who take birth con-

flight path from Alma Ata would

ern Europe.

and Europe.

fly to central Europe.

tinue over the next decade.

Wazirzada said.

Asia and Europe.

"It will be a vice-versa facility for

China, Mr. Wazirzada said, is

world.

Both China and the Soviet rope and Hong Kong that now land Inion are expanding commercial at airports in the Gulf would be

buying more long-haul planes. But from Singapore, Bangkok
"The Chinese would like to operate and other airports in Southeast

No one seems to believe that rejection of the pact would cripple the enormous on-going trade be(Continued from page 1)

tween the two countries. But proponents do warn that dealings between the two neighbors might be reduced to an unending series of squahhles over minor

"Canada wanted this agreement in the first place, and they wanted it more than we did," said Senator Max Bauens, a Montana Democrat who supports the agreement with some reservations.

"If Canada now turns around and rejects it, and if they come forward with a proposal in another area like acid rain, it would be a bit more difficult. Americans may think: 'Here they come again. We listened to their entreaties on trade; they backed down and said no. How can we be sure they'll follow

American officials and academic experts spoke more in sorrow than anger about the possibility that Canada might reject the trade agreement.
"When the bilateral relationship

does not go well, the Canadians tend to take separate, independent, and sometimes even arbitrary directions in their foreign policy," said Lansing Lamont, director of Canadian affairs at the Americas Society in New York, a forum for

both countries might decide to flex their nationalist or independent

Members of Congress and academic experts predicted also that tries in the United States and Can-

through China and the Soviet

Union if that proved to be a safer

and more cost-effective flight path,

and other airports in Southeast

Asia, existing westward routes to London and other European cities

and the Soviet Union.

negotiations closely.

reciprocal rights.

(Continued from page 1) lomat said, "about as mild as Israel could have boped for."

Officials said there were no immediate plans to upgrade the Palestine Liberation Organization's per-manent mission in Moscow to an

embassy. The Soviet statement applauded the PNC's decision to accept Unit-ed Nations Security Council Resolunon 242, which establishes the right of all states in the region. including Israel, to live in peace "within secure and recognized boundaries," Mr. Bessmertnikh said the result

of such a peace would mean that the Palestinians would "at last gain a fatherland" and the Israelis would "gain reliable security." The Soviet statement comes at a

time when it has improved its ties with Israel, Moscow broke diplomanic relations with Israel in 1967. but in recent months Israeli envoys have been meeting with Soviet offi-The Kremlin, however, says it

will not restore ties until Israel takes part in an international conference on the Middle East. The Foreign Ministry spokesman, Gennadi L Gerasimov, said that the PNC's action had created "favordiscussion of Western Hemisphere able conditions" for such a confer-

If Canada rejects the pact, he said, "there are a lot of areas where PNC's acceptance of UN Resolu-

The United States has so far said it welcomes the PNC recognition of the UN resolution, but has refused

The East German press agency ADN said that an East German Foreign Ministry official delivered a note recognizing the proclaimed Palestinian state to the PLO's "accredited ambassador" in East Ger-

sociated Press reported. The note was delivered by reronted and made nonstop Heinz-Dieter Winter, deputy min ister for foreign affairs, the agency

many, Isam Kamel Salem, The As-

East Germany has been a staunch supporter of the PLO and

East German officials last month told a delegation of the World Jewwill remain quicker than taking the ish Congress that they were consid-new routes planned through China ering steps to improve relations with Israel.

Since the proposed great-circle Peres Denounces Move routes through China and the Sovi-

Foreign Minister Shimon Peres. et Union are the shortest airways in an unusual meeting with 60 foreign diplomats, accused the PLO of staging an "artificial show of mod-eration" by implicitly recognizing Israel, The Associated Press reportbetween Britain, Europe, Hong Kong eastern Australia and New Zealand, airlines from all those arcas are watching the outcome of ed from Jerusalem.

Mr. Wazirzada said that once the Speaking in a closed session, Mr. new routes were established, air-Peres told the diplomats from 42 lines of all countries that had diplocountries that the PLO declaration "was an attempt to mislead public matic relations with the Soviet Union and China could gain overopinion," an aide said. flight rights for agreed fees.
But landing rights in either of those countries, Hong Kong or Eu-

"We want to replace the artificial feeling that the PLO adopted something new in Algiers with a real opening line to negotiations," Mr. rope would involve negotiations for Peres was quoted as saying.

#### (Continued from page 1) the judge's verdict had been all

have done -as long as you provided leadership you are guilty." The eight defendants convicted of terrorism were all members of the Vaal Civic Association in the Sharpeville area. Justice van Dijkhorst ruled that they helped to organize a rent boycott and protest march on Sept. 3, 1984, that result-

black townships around the country, resulting in more than 2,500 deaths, most of blacks, and the imposition of a nationwide state of

TREASON: A South African Court Convicts 4 Prominent Black Activists

emergency that is still in effect.

The judge said that the association had been "bent on the demise of black local authorities, of which violence was an inevitable and necessary component." The defendants, he said, worked with the UDF to "render the country ungovernable" through the spread of ble. violent protest.

Much of the arguments centered on the question of whether a "free-dom struggle" could be distinguished from the notion of political violence. The defendants conceded that the ANC's goal was the overthrow of the government but that their goal was "the abandonment The violence quickly spread to of apartheid, the ending of white and one black, were sentenced Fri-

privilege and the extending of the vote to all."

The prosecution contended that

day in hang for the murder of an unemployed Zambian driver who was killed in a bomb attack on the

the defendants had incited crowds to violence and in some cases had specifically urged blacks in the Sharpeville area to stone black councilmen and set their bodies afire. Their actions, the prosecutors said, were part of a UDF strategy in dismantle the township councils and make South Africa ungoverna-

The UDF leaders, Justice van Dijkhorst said, encouraged its affiliate organizations to launch general strikes, school boycotts and other protests that inevitably would lead

■ Zimbabwe Condemns 3 Three Zimbabweans, two whites

ANC, Reuters reported from Har-

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## HORMONE: Can't Find Car?

(Continued from page 1) tion, also influence individual perfrom Hong Kong across China to formance.

Hami in Sinking Province near the If confirmed by further research. the findings could influence the use There they would divide, with of standardized tests, such as the one route continuing northwest to aptitude or achievement tests taken Novosibirsk in Soviet central Asia by many high school students. Dr. Smo-Soviet border has been a and the other heading almost due Kimura said she feared the findings might be misused by people who would try to take estrogen, for exbirsk, aircraft would connect with routes took place, at a regional air an existing flight path over the So-advigation meeting in Singapore in viet Union to destinations in northample to improve their performance on verbal tasks.

The tests were not conducted on the days immediately preceding a woman's menstrual period, when many womeo report mood changes. "The cognitive changes we see are not attributable to mood any way to premenstrual syn- ency."

Dr. Kimura stressed that these Women who are pregnant are in

who take drugs to combat endome-triosis, a condition in which uterine tissue migrates elsewhere in the abdomen. These drugs artificially reduce estrogen.

Dr. Kimura said men might also experience fluctuations in cognitive skills along with daily fluctuations in key male hormones. Testosterone, the primary male sex hormone is higher in the morning than evening she said; but no one has ver looked at how this might affect male thinking skills. "The basic intellectual pattern of

human male and female brains is probably present before birth," she added. There is a tendency for males to be better at spatial tasks changes," Dr. Kimura said in an while women are better at certain interview. "They are not related in kind of motor tasks and verbal fluwhile women are better at certain

differences were based on averages. Although there is a male brain partern and a female brain pattern set ments have been reached on de-marcating disputed sections of the frontier.

Vice Detween Austrana and Europe, via Hong Kong, would be possible for the first time," he said.

Many of the flights between Eu-

#### What shocked me in particular

is the nature of the judgment that you are found guilty of treason for mply providing leadership and for understanding the political situ-ation in the country," Mr. Chikane said, "It doesn't matter what you

ed in widespread arson and the killing of four black township

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# Herald Enternational Cribune.

#### On the Empire's Edge

der to preside over the dissolution of the Soviet empire. Still, that vast domain, in which a succession of independent countries was brought under Soviet influence or annexed outright, is facing some diffi-cult tests now. The Baltic republics are particularly restless. Estonia, Lithuania and Latvia are small and relatively developed and cohesive places, conquered recently enough (1940) to have a live collective memory of their earlier, European ways. They are using the Gorbachev reforms to assert nationalist claims.

Just last month Mr. Gorbachev sprang on an unconsulted public the Soviet Communist Party's proposals for constitutional change; they could be debated, but only for a month. In the Baltics and in some other parts of the Soviet Union, the kind of reform most desired leads to more autonomy at home. To many citizens in the Baltics, however, the new proposals used the rhetoric of democratization to shield a new reality of centralization. The republics have been seething since. Glasnost has ensured that much of the seething has been in public view.

At work here is the basic paradox that plagues Soviet reform. In a Communist country, if reform means anything it means devolving power and opening things up in order to unlock individual and local initiative. But in a conservative country such as

Presumably Mikhail Gorbachev did not the Soviet Union, the temptation is not only become the Kremlin's first minister in or- to keep power centralized but to break the real local resistance to reform by administering reform from the top down. Andrei Sakharov is among those who have been warning of the anti-democratic character of this tendency. But it has a broad appeal in Moscow. Reformers favor it to bring progress, conservatives to keep control.

The Soviet argument over reform can only be intensified by the spectacle of mass petitions, resistance to Kremlin edicts and calls for sovereignty in the Baltics. Mr. Gorbachev is trying to cool things down. Obviously, be is going to have to find new forms of consultation between the center and the republics, however, and find them fast. There cannot be very many Soviets who want to see a crisis develop where Moscow would jerk back hard and repressively on the Baltics, and on reform.

For Americans this represents a dilemma at least as old and unresolved as the United States's own paralysis at the time of the Soviet crackdown in Hungary more than 30 years ago: It is the dilemma of knowing how far to encourage the East European countries in their quest for freedom and independence when they may finally provoke their Soviet overlords to retaliatory actions that we are not prepared to help them resist. The West, as well as Mr. Gorbachev, must be careful not to play with fire here.

#### Cheers for the Pakistanis

The first free vote in more than a decade General Mohammed Ziz ul-Haq overthrew has to be sweet for Pakistanis, and especially for Benazir Bhutto, the leader of the party that led all others by a wide margin. The regime she is likely to succeed is the one that hanged her father, the deposed prime minister, in April 1979. She would avenge his death, so she has written, by

"restoring democracy in Pakistan."

Half of Pakistan's registered voters went to the polls Wednesday. They gave 92 of the 215 seats being contested in the 237-seat lower house of Parliament to Miss Bhutto's People's Party. The Islamic Democratic Alliance, the leading conservative party, won 54 seats, and the rest went to other parties. It is now up in the acting president to choose a leader to form a coalition. His decision is by no means certain, but it would be painful for Pakistanis who gave Miss Bhutto a clear

plurality to see her disregarded. Zulfikar Ali Bhutto won Pakistan's first imperfect but democratic election, in 1977.

him and later ordered his execution. The general was killed during the summer in a plane crash still unexplained.

The army felt distressed at the leftist populism of Miss Bhutto's father and at hers as well. But she sought to allay such fears by not challenging the military's role, opposing the nationalization of industries. backing the Afghan mujahidin and by endorsing close ties with the United States. She also praised the military for its self-

restraint during the parliamentary campaign.

Reports from Pakistan suggest that military leaders are pleased with these statements and happy to be out of active politics. The soldiers' continued restraint, as well as that of the religious parties, will be critical in making the transition to democratic government. The 35-year-old Miss Bhutto, educated at Raddiffe and Oxford, seems to have earned the right to try to lead it.

-THE NEW YORK TIMES.

#### Guns Do Kill People

"Guns don't kill people; people kill peo-ple." That is a favorite argument of the gun lobby. But a new study gives reason to disagree. The study, published last week in The New England Journal of Medicine, examined gun and crime records in Seattle and Vancouver, British Columbia, The two cities are similar in population as well as in geography, climate and history. They share similar rates of education, income and unemployment; their residents even watch the same television shows.

ever, in their approach to guns. Vancouver restricts purchases of handgons to legitimate target shooters and collectors, and severely limits their use. Seattle allows virtually unrestricted over-the-counter sales, and requires only a permit to carry a concealed gun on the street. Not surprisingly, gun ownership is more than three times greater in Seattle than in Vancouver.

The researchers analyzed aggravated assaults and homicides according to the weapons used. The results were striking: The rates of crimes committed with knives and other weapons were roughly the same in both cities, but the rates of crimes committed with guns were far greater in Scattle.

In fact, the gun crimes appeared to account almost entirely for Seattle's higher rates of aggravated assaults and homicides.

Such findings run counter to the American gun lobby's contention that people intent on homicide will find a way to commit it, whatever the limits on guis. "If the rate of homicide in a community were influenced more by the strength of intent than by the availability of weapons," the re-searchers point out, "we might have expected the rate of homicides with weapons other ver ... This was not the case."

Students of crime and gun control caution that the study is not conclusive. The researchers relied on imprecise measurements of crime and gun possession. And they may have made too little of differences in racial composition. For example, rates of violent crime are generally high among blacks — who are a sizable minority in

Seattle but a tiny one in Vancouver. Still, the study appears to buttress com-mon-sense wisdom: Most homicides begin not with crimes but with arguments that turn ugly. With guns readily at hand, they are more likely in turn deadly as well.

-THE NEW YORK TIMES.

#### Other Comment

#### A Palestinian Breakthrough

With the acceptance of United Nations Resolution 242 the PLO has now stepped out of the world of fantasy and into the world of practical politics. It has not gone as far as it should have done. The Palestinian National Covenant, which calls for Israel's disappearance, has still to be changed. "Terrorism" is renounced, but not the right to "struggle" for independence, and who shall define those words? Resolution 242 itself is accepted, but with an ambiguous addition - the Palestinians' right to selfdetermination - that the original resolution does not contain. Still, none of these things obscures the fact that the supreme decision-making body of the PLO has more or less said that the organization's aim is no longer to destroy Israel but to create an independent Palestine which will live in peace alongside it. This is a breakthrough, and deserves to be welcomed as such.

- The Economist (London).

#### **Last Chance for OPEC**

The OPEC ministerial talks beginning in Vienna on Monday are the last chance for the organization to restore its credibility and influence in the oil market. Iraq's boycon of OPEC production and price agreements over the last two years has encour-

aged most other members to simply forget the group's commitments, thereby glutting the market and forcing oil prices down to the present range of \$12-\$13, much below the group's \$18 reference price. OPEC's market clout has been weakening steadily due to poor discipline among its members. and the Iran-Iraq dispute. The organization may entirely lose its influence and turn into a white elephant if it fails to unite its ranks and instill a higher sense of discipline. - The Jakarta Post.

#### Bhutto Worked for It

Benazir Bhutto deserves her victory in the first democratic general election in Pa-kistan for 11 years. She moved with great skill to broaden her support, to calm the fears of the army and other powerful vested interests, without unduly alienating sup-porters who had suffered under the military regime of the late General Zia. The election results show her claim to be Pakistan's only truly national political leader to be justified Should she now succeed in forming a viable government, she faces a task which is by any standards nightmarish. If and when Miss Bhutto becomes prime minister, she will need all the support the West can give if she is to preserve her country from the forces that have dogged its turbulent history.

- The Independent (London).

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#### **OPINION**

## How Likud and Labor Can Save the Center

By William Safire

C HICAGO — Many Jewish Americans — including most of Israel's strongest longtime supporters - are disturbed by the way a cabal of Orthodox politico-rabbis in Israel is making a grab for ecclesiastical exclusivity.

At issue is the cabal's attempt to arrogate to itself the authority to determine "who is a Jew" - that is, to declare invalid, for purposes of invoking Israel's Law of Return, all conversions to Judaism made in Conservative and Reform synagogues. This would make a mockery of the Diaspora's tradition of diversity within unity. It would sacrifice Israel's national security on the al-

tar of religious rigidity.

What most troubles most Jews in the United States and in Israel is not that some Orthodox leaders want their own form of papacy — that fantasy is nothing new — but that the political leaders of the Jewish state, dickering for votes in the Knesset to form a majority, seem to be promising to grant a demand that would infuriate Jews everywhere. (We have enough trouble with the Arab jihad; we don't need one of our own.) I write "seem to be promising" because it is all a charade.

 King Hussein double-crossed the Labor Party's Shimon Peres in midcampaign by removing his "Jordanian option," the plan to give up the West Bank while avoiding the programmer of immediately estimated. appearance of immediately setting up a PLO state. Mr. Peres's party lost mandates; religious parties, longtime allies of the Likud, gained.

Desperate to cling in office de-spite the voters' rejection, Mr. Peres offered the religious parties not only cabinet posts and more aid to parochial schools, but also support for a bill to give them the right to decide which conversions count — for many, in effect, "who is a Jew."

3. The politico-rabbis then took that offer to Prime Minister Yitzhak Shamir, head of the rightist Likud. Mr. Shamir promptly matched it and bought the support of enough votes to form a majority.

4. With this backing of the religious parties, Mr. Shamir got the nod

to form a government. He sent reas-

surance to Jews around the world

who are Reform and Conservative

(as I am, squared), because he now has a choice of double-crosses: 5. Mr. Shamir could form his co-alition with the religionists, and duti-fully put the "who is a Jew" bill before the Knesset, calling for its support by Likudniks on pain of party discipline. However, just the right number of rightists would call in sick that day to allow Labor Party members to defeat the bill. Promise ostensibly kept, but bill defeated.

6. The politico-rabbis, who surely

know this is coming, are prepared to demand placation for the failure to deliver, in the form of a ban on movies or soccer or anything else on the Sabbath, an end to archeologi-cal digs or whatever. The Likud could then try to govern at the suf-ferance of unstable coalition partners, with most Israelis getting an-



Move back two steps and examine another scenario.

5. Mr. Shamir, able to form a Laboriess government, offers Labor a deal: If you agree to being junior partner — with your tough Yitzhak Rabin in a key post, and your loose cannon Peres out in the cold — then together we can reform the political system to make it more difficult for splinter parties to be kingmakers.

6. At Mr. Rabin's urging, and with the support of Jews from Jerusalem to Jamaica, Labor would accept that Likud offer. Thus the threshold of electoral success would be raised, the democratic majority would rule, and the presumptious rabbinic cabal would be foiled with finality.

7. As part of the deal taking out Mr. Peres, Mr. Shamir would agree privately not to run again. That would leave David Levy, Moshe Arens and Ariel Sharon to compete to lead the Likud against Mr. Rabin's Labor in the next election. The second scenario would be bet-

ter for the state of Israel, not to mention for Judaism. But such a rout mention for Judaism. But such a rout of the rabbis would require personal sacrifice by Mr. Peres, who may prefer to hang grimly in as a political zombie — always losing, never lost.

This is the moment that the Palestine Liberation Organization, meeting in Algiers, chose to accept a tition plan 40 years and 5 wars too late; at this rate, it will adopt the Camp David accords in 2028. That temporizing is accompanied by a transition in Washington and by the overreaching by Israel's own New Righteous; all three events combine to give Israel a moment in regroup.

Use that precious breathing spell wisely. Form not just another government, but a more effective way of governing.

#### The PLO's Message Is Still of Cynical Rejectionism

N EW YORK — I hereby declare that I am the rightful owner of the house in which you live. I have created a new corporation to take it over. Take notice that I intend to establish the

headquarters in your living room.
You are a usurper, a squatter, totally vile. I have swom a holy oath to drive you and your children from the house. I summon you to a court at which my rights and the new corporation will be recog-nized by you and all. But if you attend, I will consider agreeing that you are entitled to live somewhere on the grounds, maybe in the yard. Meantime, to persuade you to hurry, I will throw more and more rocks through your windows.

That is a political translation of the deal the Palestine Liberation Organization is now offering the Israelis.

Meeting in Algiers, the PLO announced the creation of a new Palestinian state on territory Israel happens to consider its own by right of international law, statehood, religion or the conquest and onster of invading Arab armies.

The PLO did not specify the boundaries of the
new state but did announce that its capital would
be in Jerusalem. It implied that at an internation-

al conference it might accept an ambiguous Unit-ed Nations resolution recognizing Israel's right to consider itself among the living.

But the PLO made it clear that it still embraced the UN resolutions condemning Israel, including the international piece of anti-Semitism that equates Zionism, the philosophic root

of the Israeli state, with racism. It did not consid-

By A. M. Rosenthal

er renouncing or even changing the PLO Charter, which calls for war to the death against Israel. All this maneuvering is not directed at influenc-ing Israel. The PLO understands that the annormorment of the Palestinian state and its immediate recognition by Moslem nations will not bring a peace conference nearer but will kill the idea. There are Israelis who would be willing to sit down with members of a faintly disguised PLO delegation and discuss transfer of territory in return for acceptance of Israel, Shimon Peres was

among ther 1, and it cost him the recent election. But even the Peres concept of a conference was supposed to be the first step in a careful process of change to take years. The end result was to be some form of antonomy for the Palestinians, or perhaps union between the Palestinians and Jordan, which is largely Palestinian in territory and population.

So the PLO knows that it is ending the idea of a "peace conference," except among those Israe-lis who are suicide-minded. It also must know that it is squelching those American Jews who had been urging Israel to negotiate with the PLO. Their support was useful to the PLO but obvi-

ously dispensable. That is, unless they now intend to instruct Prime Minister Yitzhak Shamir to rush off to a peace conference to recognize the stams of President Yasser Arafat and his new Palestine. The PLO is aiming over the heads of Israel at George Bush and the new government he will

create; See, we are now willing to consider some-day maybe perhaps recognizing Israeli existence, so now you can deal with us. Neither Mr. Bush nor James Baker, who will

be his secretary of state, are overflowing with eagerness. It will be interesting to see the reaction of Governor John Sunum of New Hampshire, Mr. Bush's choice as chief of staff, He is the only governor who declined to denounce the United Vations Zionism-is-racism resolution.

The Algiers meeting was not "moderation."
It was a cynical continuation of the Arab rejectionism of Israel that has brought 40 years of struggle to the Middle East.

Only once did an Arab leader turn away from rejectionism. Eleven years ago, on Nov. 19, 1977, Anwar Sadat landed in Jerusalem. He achieved the only victory any Arab leader ever won in dealing with Israel. Mineral-rich Sinai was returned to him, because he knew what to offer.

One day the Palestinian movement itself may grasp what Sadat understood. The hope lies not in the cynics of Algiers but in the young people of the insurrection, who are being manipulated to continue a war they cannot win but can end in honor if they offer what brought Sadat his victory.

That was true acceptance of Israel as a strong, permanent and honorable part of the Middle East, the end to hatred and terror, the beginning of brotherhood. Sadat knew nothing else could achieve the goals of either Israel or the Palestinians. Though he died for it, it remains the truth and the path.

The New York Times.

#### Thatcher on the Cusp: She's No Ordinary Mortal vative movement and the task of rec-

WASHINGTON — What makes Maggie run? That is, what con-tinues to drive the Right Honorable Margaret Hilda Thatcher, MP for Finchley, British prime minister for nearly a decade and now on the cusp of becoming the Atlantic alliance's superstar? In an hour's conversation at Blair House, a few phrases form a Rosetta Stone of Thatcherism in its

second decade at home and abroad. Leftist ideology, she says, "appeals in a kind of person who has a certain intellectual standing but doesn't think that their power is equal to their intel-lectual standing. They think they could make a much better thing of it if they had all the power. Somehow we ordinary mortals aren't fit to be trusted with our own freedom, but those super mortals can plan everything best for them and ourselves."

The specific target of her condem-nation is Marxism, which Mrs. Thatcher explains has failed because it "is not a revolution of the ordinary poor person. It is a revolution which came from the top and is continued at the top." But in her denunciations of the "super mortals," whose power and

WASHINGTON — "Tell me, Mr. Baker, did you know that

your campaign commercial about the Boston Harbor misrepresented the

That question will almost certainly not be asked of James Baker when be

comes before the Senate in be cou-

firmed as secretary of state. Instead,

we can expect questions on foreign policy exouca and a bath of praise for a man who embodies the highest of all

Washington virtues — pragmatism.

That prediction is based on the

reaction here when George Bush an-

nounced the Baker appointment. Not since it was agreed that lead could be

turned into gold has there been such

consensus on a single subject: Jim Baker is one terrific guy. The press

said so and politicians from all over town chimed in — a madrigal of

praise for the nearly sainted Baker.

But what of the campaign? Is this not the same James Baker who, as

George Bush's campaign manager, is responsible for the odious Pledge of Allegiance flap, the awful Willie Hor-ton commercials and the misleading

ad about Boston Harbor? That body

of water may not be pristine, but it is

not, as the ad suggested, radioactive.
The "Danger Radiation Hazard — No
Swimming" sign shown in the commercial was filmed at a navy yard where

nuclear submarines were once repaired.

The Bush campaign claimed it was

merely counterattacking, responding to the "Where was George?" refrain

situation there?"

By Jim Hoagland

the world's most powerful woman. There are echoes of her current battles with Jacques Delors and the other technocrats of European unity: of her past battles with the British Labor Party and the hard-left trade unions that strangled Ingsoc (Or-well's unbeloved English socialism);

and most of all of her long-ago battles with Edward Heath and the other swells of the Conservative Party who watched in disbelief as the grocer's daughter outthought, outfought and outran them all in the race for power. Margaret Thatcher probably be-lieves more strongly in the utility of class analysis and the validity of class struggle than does Mikhail Gorba-

chev at this point. She redefines these concepts, bending them through the prisms of her Englishness and her experiences of breaking open a calci-fied sexist political establishment. There is in her a recognizable core

Mr. Terrific Has Some Answering to Do

By Richard Cohen

of the Democratic National Conven-

tion in July. But the negative advertising strategy had been set in May by, among others, Mr. Baker. Jim Baker is admired in Washing-

ton, and for good reason. He is a

professional politician. He is a prag-matist in a city that values perfor-

Are we to forget the

campaign Baker ran?

mance and can hardly wait until the

last Reagan ideologue is either out of town or barricaded in the American

Enterprise Institute. He was a valuable

and important White House aide, an

island of rationality in a churning sea

of far-right ideology. As Treasury sec-

retary, Mr. Baker earned high marks, and his manner and accessibility have

endeared him to the press.

But so much of the last campaign

was about character. For a time, re-

porters and private eyes seemed to be in the same business. Gary Hart was

forced out of the presidential race

because a woman not his wife had

spent a night in a house that was not

her home. The story was published

and, in explanation, the press intoned that a man who cheated on his wife

might cheat on the country. Only history and experience say otherwise.

fashionableness have waned while able striving born in Britain's rigid less have grown, you hear the echoes of the internal voices that still gnaw at a force and lucidity that continue to burn brightly after a decade in power. This force is one of the things about Mrs. Thatcher that clearly fas-

cinates Mr. Gorbachev. She describes their relationship in these words: "He can be quite a belligerent person sometimes and then we got past that but we go back blow for blow and then we get down to the nitty gritty as it were. It's a technique."
With Ronald Reagan stepping down, it is a technique that will in-

creasingly determine the shape of East-West relations. Mrs. Thatcher communicates this as she rolls with ease through this discussion, the 12th interview in a busy Washington day that has just reached lunch time. That schedule is in itself a sign that she is ready to take ou a more central

role in defining Western strategy to-ward Mr. Gorbachev. She inherits part of Mr. Reagan's international political role; perhaps more important, she in-herits leadership of the world conscr-

But what of a man who directed a

Why is it presumed that someone

think that a man who ran a campaign

as Caesar, will upon taking office become Caesar's wife?

If I were in the Senate, f suppose I

would vote to confirm Mr. Baker. But

I would like to ask him whether he is

going to do in government what he did

in the campaign. I would like to know exactly what he thinks of truth, wheth-

er it is an obligation the government

owes the governed or whether its use

depends on its political utility. I would like to know whether he recognizes a

lie and whether he believes in some-thing called A Larger Truth, one con-cocted of little lies: Boston Harbor-

is polluted, so why not show it as a

Of course, nothing like that will

happen. Mr. Baker probably will not

be asked to account for his manage-

ment of the Bush campaign. No sena-tor will ask, the press will not demand

and the people will be otherwise occupied. Whatever Mr. Baker did will be

forgiven. The morality of Washington holds that James Baker has been

purged of his sins. After all, be won,

Washington Post Writers Group.

radiation hazard as well?

onciling conservativism with finding accommodation with Mr. Gorbachev. Mr. Reagan and Mr. Gorbachev have proven that star quality is an important ingredient of modern di-plomacy. Mrs. Thatcher's studied and increasingly effective public prescutations in international settings are intended to cast her as the West's best bet in this role; but for this strategy to work she will still have to eclipse some pinched and combative domestic performances. Her Washington performances suggested that she is beginning to do that.

integrating two competing skeins that have run through her East-West strategy, which mixes unstinting sup-port for Mr. Gorbachev with refusal of any tiny military accommodation with the Soviets. It is a dichotomy that is difficult for others to follow, and which has exposed her to impu-tations of inconsistency or hypocrisy. But the impression now takes shape that she has wrestled long and hard to turn an essentially instinctive judgment about Mr. Gorbachev into an intellectually consistent view that "we should all support him" while "we keep our own defenses sure." It is rooted in that belief about the strengths and weaknesses of trickle-down Marxism.

She also demonstrated that she is

Mrs. Thatcher disclaims having a crystal ball. But she has something campaign that many considered smarmy and which may have changed the tone of presidential campaigns forever? What does this say of him? almost as important: the determina-tion and force to keep asking the right questions about Mr. Gorbachev. who waged that sort of campaign would not have learned a lesson: What worked in the campaign could work in government. Why do we

The Washington Post.

## Canadians: Will Pay Either Way

By William Pfaff

P ARIS — The Canadian electron on Monday will be the most important in the country's recent hist ry. The major issue that undering party differences is whether Canada should ratify the free trade agreement that has been reached with the Unit ed States. Implicit is a question c Canadian national autonomy and one of the quality of North American society in the future.

The economic argument for the trade agreement, defended by Print Minister Brian Mulroney, is that eliminating cross-border restrictions on investment and exchange will create of save Canadian jobs and spur growth.
It is not an argument that can led dismissed. Indeed, the pact is in spired chiefly by the persistent American ican tendency toward protectionism against which Canadians find it hard to defend. Today, 78 percent of Canada's exports go to the United States.
and only a fifth to a quarter of U.S.

exports go in Canada.

Canada does disproportionately well on U.S. markets, but there is a permanent U.S. inclination in ignore Canadian interests. "Aren't we all Americans?" people in the United States are known to say, bewildered to the Canadian conviction that Canada

is different from, say, South Dakota The economic argument against the agreement is that Canadian industry and agriculture would tend eventually to be swept into total integration into the U.S. economy. Existing Canadian tariffs are generally higher than Ameri-ca's, as are Canadian subsidies to industry and agriculture. These will be reduced or swept away by the agreement as will, the critics say, Canada's much higher levels of social protection.

Comparison with the European Community is misleading. The EC consists of four countries of more or less the same economic and industrial scale (West Germany, France, Britain and Italy), fully capable of de fending their individual interests plus two more (Spain and the Nether lands) roughly half the size of the fing four, plus the smaller economies. If single power can dominate the group

There are agreed definitions c social protection, and a Europea Court to which disagreements are referred. These do not exist in the U.S. Canadian pact, between a nation o 245 million people, with a \$4 trillion economy, and one of 26 million people, with a \$400 billion economy.

Economics, however, is not the pri mordial problem. Robertson Davies, the Canadian novelist, calls the issue one of Canada's survival "in terms that are not immediately political but cultural and indeed spiritual."

The Canadians' original stand in the 18th century was political, defying the other American colonies' rejection of the British crown. Canadians burned Washington in 1812 in revenge for a U.S. effort to take them over, and they united in 1867 in reaction against the threat they saw in the gence of a powerful Union. All along, Canadians have, at considerable sac-rifice, defended a national course

separate from America's.
The argument for continuing to 6 so is nationalist and cultural defend a second way on the North American continent, more socially minded and cooperative, more in-

ward, than in the United States. There might have been a third way. One could argue that it might have been better for everyone had the states of the American Confederacy been allowed to go in peace in 1860. Slavery could scarcely have survived the end of the 19th century. If slavery had been brought to an end by Southeners themselves, its aftermath would perhaps have been less degrading and divisive than Jim Crow — and what has followed — proved to be.
What North America would then

have become is hard to imagine. The pre-1860 South was certainly different from the North, its European ties close to those of English-speaking Canada - its ethnic stock Scots-Iri-n and English, overwhelmingly Protestant (except for Acadian Louisiana).
Would the United States itself be better off today if it were less gargan-

tuan, only 43 states (or 41), less powexful, less sure of its invulnerability. less rich? It is possible to think so.

To think so, of course, is idle speculation — for an American. The different course is not speculation for a Canadian, who for the third time in a century confronts a proposition for the effective economic union of his country with the United States. If Canadians reject that choice again, they will continue to pay a price. If they accept, they will also pay a price. International Herald Tribune. C Los Angeles Times Syndicate.

#### 100, 75 AND 50 YEARS AGO

1888: The Glorious Tub 1913: Huerta on War PARIS - Decidedly the French race is rapidly becoming imbued with the Anglo-Saxon character. Parisians of

to-day patronize Loadon tailors and
"American bars;" they ride in hansom
cabs and employ Edison's electric light, they print interviews à l'Améri-caine, honor Shakespeare and have their pockets picked by Gallican imitators of old Fagin. But perhaps the most signal triumph in this social revo-lution has been the importation into France of the Britannic tub. M. Philippe Daryl, the writer, remarks that France can look back upon a past glorious in art and science and conquest, yet she has never known, until of late years, the inestimable bles to be derived from the proper use of a large sponge, a rough towel and a bucket of cold water. French educa-tors and legislators have been finally aroused to the importance of the old Latin precept with which they have

filled their copy books from time im-

MEXICO CITY - Two Americans here, whose names cannot be used, have interviewed General Huerta, asking about the safety of Americans in Mexico in the event of intervention. General Huerta replied: "There will be no intervention. But if the United States ever moves. Americans will be treated here the same as they would be anywhere in the world. In the event of war, they would be allowed to leave."

1938: Cherry Tree Fray

WASHINGTON - One hundred shricking women, infuriated at the removal of a mimber of Japanese cherry trees to make way for Thomas Jefferson memorial, charged a gang of W.P.A. workers and after a a gang or w.r.a. workers and after a thirty-minute battle emerged triumphantly bearing aloft the workers' picks and shovels. The cherry trees, presented by the Emperor of Japan, are very popular with Washingtomemorial: Mens sana in corpore sana. nians due to their beauty.



ARTS / LEISURE

TEW YORK - The wind is

N turning in the art market. The

gerness to buy is still intense but

the limits beyond which art hunters refuse in be dragged by vendors hoping to make a killing have been

made apparent in three sales of Im-

its Nov. 11 auction, even though the total sold amounted to an im-

pressive \$79,453,000. The number

of failures, 23 out of 77 lots, was far

SOUREN MELIKIAN

too high, betraying a dangerous tendency to overestimate the works

offered for sale. As a pastel portrait by Mary Cassatt, "Clarissa, turned

left, with her hand to her ear,"

became the first casualty at

\$475,000, a European dealer sneered: "These people anticipate

the rise they hope each picture will make from one sale to the next. If

this is worth \$500,000 oow, they

will give it a \$700,000 estimate next time around." The failed Cassatt

time around." The failed Cassatt carried an estimate of \$700,000 to \$900,000. The same mishap befell the next lot, a pleasant if oot great view of the "Jardin d'Eragny" painted by Pissarro around 1895. It fell at \$775,000 against an estimate of \$800,000 to \$1 million.

One or two very desirable pieces

nate policy. Corot's "La Reveuse à is discussed and, not least, the cur-

la Fontaine," which shows a young worman standing under a tree lost in ber thoughts, is as poetic in feel-proved irresisuble.

reserve that the "estimate" of \$2 louches and in a bright palette million to \$3 million would suggest.

Not even Monet was spared. A pressionist label—it does oot con-

ed in 1871 was bought in at \$3 through graded light effects, with

were struck down by this unfortu-

ing as it is subtle in its color

scheme. Bidding stopped at \$1.7 million, well below the ambitious

view of the dam in Zaandam paint-

million, comparing with an im-probable \$3.5 million in \$4.5 mil-

oc. More than once, pictures were

sold over the low estimate, in other

words close to the reserve. Van

than the low estimate - \$3 million

At rare intervals, speculative gam-bles came off. Renoir's "Baigneuse."

plus the 10 percent premium.

ion estimate

pressionist and Modern Masters. Sotheby's had a hard time with

PARIS — The Canada.

On Monday will be the portant in the country's fee party differences is whether should ratify the free level.

party dilitions is whether should ratify the free lader that has been reached the land that h ed States, Implicit is a By David Conservation of the quality of North and cultural muscles — first, in society in the future. The economic argument rade agreement, defended Minister Brian Mulrour, is inating cross-border les

vestment and exchange westment and exchange westment and exchange westweet canadian jobs and section in the spired chiefly by the peace ican tendency toward power against which Canadians we in defend. Today, 78 peace ada's 5 exports against which Canadiants in defend. Today, 78 pens, adds's exports go to the light and only a fifth to a quark exports go to Canada.

Canada does dispose well on U.S. markets bus permanent U.S. inclinator. permanent U.S. inclinator

Canadian interests. And Americans?" people in the The economic arguments agreement is that Canada and agriculture would being to be swept into total into the U.S. economy. Friend tariffs are generally higher to ca's, as are Canadian substantian uy and agriculture. Three duced or swept away by the

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Canadian pact, between 12-245 million people with 1 economy, and one of 25 me, ple, with a \$400 billion on

Economics, bowever, 5% mordial problem Robertse the Canadian novelist car. one of Canada's survival: ....

American Civil War and it gence of a powerful Union Al. Canadians have, at consider rifice, defended a national

separate from America's. so is nationalist and called defend a second way on the American continent moes minded and cooperative F

ward, than in the United See There might have bental One could argue that it been better for everyone states of the American Conte been allowed to go in page.
Slavery could scarcely have. the end of the 19th centur, ! had been brought to an endie eners themselves, its alients perhaps have been less dent divisive than Jim Cross bas followed - proved to k What North America and

and English overwhelmed and except for Academies Would the United Sugs better off today if a worker

tuan, only 43 states (or 4), before the less state of its maker that less state of its maker than the less fich. It is possible to the less fich. To think so of course the ulation—for an America ! ferent course is not spenish Canadian, who for the thirt century controll a proper is the effective economic as it country with the United it Canadians reject that their increases in the country with the Canadians reject that their increases in the country with the c they will continue to prit the accept the will continue to prit the accept the will be for the accept the will be accept the accept th L. s. Angeles Times Such

50 YEARS AGO

1913: Huerla on 16 MENICO CITY Tour in the work of the whose names consider the safety of the work of the wor

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Canadia Will Pa Modern'
Either V. In Berlin: By William Pt. A Fitting **Finale** 

then as European Cultural Capital for 1988. Among the events of a most misbegotten was the contro-versial "Sculpture Boulevard" that scattered works along the Kurfür-'stendamm. Earlier this year, a Joseph Benys retrospective raised inore questions (and hackles) than are likely to be answered (or smoothed) in our century.

After such costly gaffes, a collective sigh of relief and delight has greeted the finale to Berlin's twoyear cultural fête. But by any terms and in any context, "Stations of the Modern" is a curatorial triumph. It moves with streamlined grandeur through 20 historic German exhibi-States are known to say, but tions, starting with the Brucke tions, starting with a reis different from say, but the Brucke tions, starting with the Brucke tions, starting with a reis different from say, but the Brucke tions, starting with a reis different from say, but the Brucke tions, starting with a reis different from say, but the Brucke tions of the Brucke tions

·For students of modernism, the show is a must. It assembles groups of works that have not been together since their initial showings but that have become the stuff of art history. Despite the inclusion of 360 sculptors and painters, most of the ensembles are "representative" rather than complete. Much of what was shown by the Brücke (1910) and the Blaue Reiter (1911) groups was later confiscated by the Nazis and either destroyed or auc-tioned. Just how widely the works were scattered is indicated by a list of lenders from 119 cities throughout the world,

- The most authentic re-creation is that of the First International four, plus the smaller come a Dada Fair held in a private Berlin single power can dominate gallery in 1920, All but two of the There are agreed the the case of posters, reproduced social protection, and it. That understandably tempted cuferred. These do not crise: rators to simulate the original



crooked space in which the Dada- even though many were reviled or ists composed their protest. The ignored in their own time. Each of walls overflow with images, slo-the 20 "stations" to the Berlin itinphotographs and collages, erary reveals a bundling of politi-absurdist assemblages dangle cal, social and aesthetic forces that

from the ceiling.

Participants like George Grosz and Raoul Hausmann took their comedy with utter seriousness. Yet none of the participants or the 310 visitors who climbed the outside stairs to a room over the former post office were conscious of forging art history. Nor was the courageous gallery director, a specialist in Oriental anniquities, who made the space available. Repeatedly, "Stations of the Modern" documents how courageous private in-dividuals gave modernism its most important forum.

Prior to the Berlin show, the Dadaists had staged a combination happening and exhibition (promptty closed by the police) in a Co-logne brewery. The influential Brücke group made their first joint presentation (even earlier than the show documented in Berlin) in a lighting showroom in a Dresden suburb. And the First Russian Art Exhibition of 1922 was, like the Dada spectacular, hosted by a dealer who specialized in antiquities.

The passage of time has lent such that greeted the 310 visitors to Berevents the quality of metaphor, lin's revolutionary "Dada Fair"

now seems curiously, quaintly old-Of the nine postwar shows docu-

mented in Berlin, only one still radiates its legendary power. "Docu-menta 2," beld in the summer of were shaping the visual arts. In-cluded, as well, is the tragic station "Entartete Kunst" — the Nazis' 1959, was a conscious attempt in reconnect Germans in the mainruthless pillorying of "decadent" sculptors and paioters. (Ironically, stream of 20th century art. Hence, alongside the vigorous canvases of America's Abstract Expressionists with 20,000 visitors a day, it would prove the most popular show in the history of modernism.) By way of huog works of artists banned by the Nazis, Among them were Kirchner, contrast. Berlin's curators have in-Klee, Kokoschka, Schwitters and cluded "The Great German Art Nolde. They all come together again in the splendid central hall of Berlin's Martin-Gropius-Bau. Exhibition" that paralleled Munich's "Entartete Kunst" show of 1937; it was conceived as a celebra-Here the station-masters have non of "pure" Aryan culture. The steely-browed heroes and bosomy

the original show - whitewashed Brünnhildes left little to be hoped brick walls with fluorescent lightfrom the Führer's ideals. ing behind black planking. The ar-Inevitably, many of the postwar chitecture was a speedy, pragmatic solution to staging an art exhibition in Kassel's gutted museum, the Fri-"stations of the modern" seem pokey. In the decentralized Federal Republic, the role of capitals like dericianum. But it was also, in its Berlin and Munich is no longer so functional severity, a return in the dominant. Information flows with Bauhaus aesthetic condemned by increasing rapidity, and art-watchthe Nazis. Even today, the improers are not so easily shocked or vised idiom wears well, and the cool, eveo light seems infinitely preferable to halogen bot-spots. surprised. According in recent staustics. West Germany's museums draw a larger public than the nanonal sport of fontball. The shock

There are studies and disputes enough about the building of museums. Temporary presentation forms have had little attention. With its documentary recreations, Berlin gives at least a nudge in the right direction. "Stations of the Modern" is thus, in more than one sense, a show of shows.

also recreated the architecture of

"Stations of the Modern," Mar-tin-Gropius-Bau (Stresemann Str. 110). West Berlin, to Jan. 8.

David Galloway is a writer and professor based in West Germany.

## erald Eribun

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Picasso's "Maternité," which was sold for \$24.7 million.

June at Sotheby's London by the artist's "Nu dans la baignoire."

Wind of Change in Art Market

\$8.5 million. The vendor, who got it at Sotheby's for \$1,650,000 in No-

vember 1985, made a substantial

profit. But the whole performance

did oot enhance the presuge of the

That the failures had little to do

with the stock market's weakness or any lack of liquidity was demon-

strated on Monday in Christie's eve-

ning sale. It took less than an hour for 28 Impressionist and Modern

Works of Art from the collection of

William and Edith Mayer Goetz to sell without one hitch for \$85 million. Christopher Burge, president of Christie's America, who was tak-

ing the sale, was at the top of his

form. He must have been buoyed by

the awareness that the pictures, rare

in today's market, were made yet

more desirable by their whiff of his-

toricity. The collection had been

completed by 1953, by a man per-

greatest figures of 20th-century art.

Early oo in the sale, one of the

most beautiful flower still-lifes by

Fantin-Latour set one at

\$3,080,000. Minutes later another

record was established for a picture

in Cezanne's early Impressionist

manner, long spurned by connois-seurs. "Dans la Vallée de l'Oise," dooe in 1873-74, soared in an as-mnishing \$5,060,000. The combi-

nation of the Goetz provenance.

the oumerous art books in which it

Much the same factors boosted

an early Monet, "La Plage à Trou-ville," done in 1870 in sketchy

vey volume and perspective

one colored area melting inm the

other, as does Impressionism at its high point. This did oot stop it

Several records were broken.

auction house.

But none was so extraordinary as Picasso's \$24,750,000 "Maternité." Colld compositions, Immensely skillful, but rather sentimental, this is our really the paioting one would record for the artist.

It took all of John Marion's auctioneering skills to contain the have \$10.78 million. Having done so well on Monday, Even fairly banal paintings such as Sisley's "Bords du Loing à Saint-Mammés," managed to scramble Gogh's "Moissonneur," a small their way up to the world record sketch of a standing harvester seen league. At \$3,630,000, the record eby's on Nov. 11. True, a few resketch of a standing harvester seen from the back sold for \$3.41 million, which is only one bid more than doubled Christie's high cords were set. Boudin's Venetian ed privately the next day by Chrisview of La Salute seen from San tie's at around that figure, Giorgio sold for \$935,000 and Sigestimate. Other impressive records included Bonnard's "Après le Repas," an austere and monumental interior scene with a woman benda woman in a red skirt seated by the ing to clear a dinner table, which riverside wiping one foot, exceeded went up to \$7.480,000, thus dou-

bliog the record established last. The sitter is almost reduced to abstraction. The estimate, available "on request," was \$7 million to \$10 million by the last account. The picture was the property of Hester Dia-The painting, done in 1901, is mond, wife of the late Harold Diabased on Renaissance Virgin and mond who dealt privately in 20thcentury art from his New York home until his death in 1982. If dealer sources are in be trusted, the have thought was going to set a picture had been offered to most potential buyers prior to the auction. This did not help. Its imporseems a pity that Christie's tance induced an Italian dealer to should have repeated on Tuesday the miscalculations made by Sothmatch the reserve. The Picasso was bought in at \$7 million and negotiat-

If the auction bouse bad intendnac's Saint-Tropez landscape dated ed to suggest that its "estimates" 1892 rose to \$1.54 million. But are mere bait dangled under the there were also some nasty crashes noses of potential buyers, rather caused by blatant overestimation than considered opinions, it could with correspondingly high reserves. Out have done a better job. At a The most spectacular accident af- moment when the market is still fected an important Cubist work by bullish but getting a bit nervous, Picasso, "Femme à la Mandoline," this is hardly a great idea.

#### **AUCTION SALES**

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## The Pastoral Landscape

By John Russell New York Times Service

that are not immediately the WASHINGTON — Secreted cultural and indeed spinial Wamong the thunderous exhibi-The Canadians' original a tions in the National Gallery of Art the 18th century was point in Washington, there is one that ing the other American at deserves our tender attention on section of the British crowl ... two quite separate counts. The first ans burned Washington is that instead of knocking us off revenge for a U.S. effort we - our feet like Michelangelo (on view over, and they united in the through Dec. 11) or Veronese (on primarily of European paintings, drawings and prints that are inti-

mate in their appeal to us. ined defended a manus. Of high drama, there is never a parate from America: trace. Starting in Venice in the 16th or is nationalist and culture age of Giorgione, the two-part efend a second way or at the show ramifies this way and that through the intervening centuries tinuil it ends in richness in the Phillips Collection with a buge and little-known Matisse, a painting by Braque of a bicycle in the rain in Normandy and a voluptuous evocation of a public garden in Naples

by Howard Hodgkin. "The Pastoral Landscape" is the general title of this consistently provocative exhibition, which is divided between the National Gallery of Art and the Phillips Collec-tion and runs through Jan. 22.

What North America we called "The Legacy of Venice," is in have become is hard to me. It the National Gallery. Saturated as pre-1860 South was come in the National Gallery. Saturated as call from the North is him to the Canada—its ethnic stod saturated as in what David Rosand, in one of Canada—its ethnic stod saturated as the catalogue essays, calls a mondal stand English averablement. the catalogue essays, calls a world of "pastoral inaction." It is a world at one with itself, in which nothing

untoward ever seems to occur. Well-favored people sit around, talking singing playing unampli-fied musical instruments, studying a map of the heavens, minding their own business and giving no trouble to others. If there is a saint here and

there, he doesn't pull rank. When we come to "the modern vision" at the Phillips Collection, the delicate persistent sensitivity of Duncan Phillips is quick to assert itself. This is partly because of the paintings by Corot, Puvis de Cha-vannes and K.X. Roussel that came to the collection in his lifetime.

In the Italian landscape by Corot

that he bought many years ago, the Yenetian pastoral aesthetic is updated with a particularly dexterous hand. The untenanted forestage, the steep slope studded with trees, the nice balance of the architectural rear-ground and the inactivity of the human figures here and there all perpetuate the original subject matter. But then this is not the only Phillips acquisition in the show that wins our hearts by its refusal to

The show bears the stamp of Sir Lawrence Gowing, the English painter, critic and historian who is now curatorial chairman at the

I 4.36; Cherry I autips Collection.

Never one to understate a can be tells us flatly that "the whole pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of pastoral tradition from Giovanni Bellini to Milton Avery is simultanced by the construction of the construction of

That great painting can never travel, but Sir Lawrence has fished out of an English private collection

of it that was made in the Louvre and substance when it arrives at more than 150 years ago by Wil-Cezanne, Bonnard and Matisse. liam Etty. Rich, hot and rice, it (Henri Rousseau's "Happy Quarmakes an arresting effect at the tet" is a delicious after-echo hillips. udoubtless unintended — of Vene-In terms of pictorial quality the uan Arcadia).

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"ART EXHIBITIONS"

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appear on

SATURDAY

LONDON

An Exhibition of

Two Scottish Colourists

Peploe and Cadell

24 November - 16 December Monday-Friday 10 a.m.-5 p.m.

The Lefevre Gallery

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NEW YORK

the rather more than half-size copy Phillips show picks up both weight

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tuesday thru saturday 10 a.m. to 1 p.m. - 2:30 to 7 p.m

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**8 NOVEMBER 3 DECEMBER** 

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Mouvement

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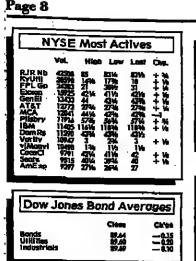
**Paintings** 

SATURDAY, DECEMBER 3. VIEWING NOV. 26 - DEC. 2,

187 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Tel.: 46,37.93.00. Telex: 613895

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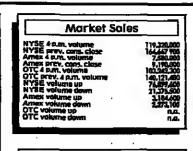
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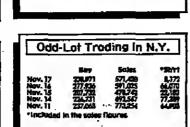
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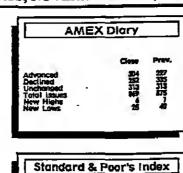
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Dow Jones Averages

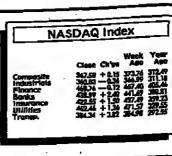


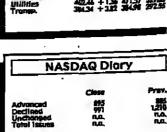
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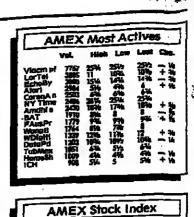
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A SHEET

Compiled by Our Staff From Dispatches NEW YORK - Prices on the New York Stock Exchange struggled to post modest gains in light trading Friday, encouraged by hopes for a steadier dollar in foreign exchange.

The Dow Jones industrial average rose 9.96 points to 2,062.41, trimming its loss for the

week to 4.62 points. Advancing issues about a 3-2 margin. Trading volume came to 119,32 million shares, down from 141.28 million in the previous session.

Nationwide, consolidated volume in NYSElisted issues, including trades in those stocks on regional exchanges and in the over-the-counter market, totaled 141.91 million shares.

The U.S. currency rose on repeated interven-tion. Thursday and again Friday by central banks of the major industrialized countries to support the slumping dollar.

The dollar has stabilized now, thanks to the central banks," said Hildegard Zagorski, a mar-ket analyst with Prudential-Bache Securities Inc. "But the market wants something to worry

"We expect the next few days to be weak, but the next two to five weeks should be unsettling," said Don R. Hays, director of investment strategy at Wheat, First Securities in Richmond, He predicted that the dollar would not weak-

en much further, but noted that short-term interest rates would probably remain relatively high through Christmas to discourage consumer spending.
"People are sensitive right now," Mr. Hays

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the bottom of this year's trading spectrum, "concern about the dollar and interest rates should ease and we will attract more buyers."

But analysts said many traders were waiting to see whether the dollar could manage a sustained period of recovery on its own.

They also said market participants still had many misgivings about the outlook for interest rates. A Treasury auction of 30-year bonds on Thursday met with a relatively cool response. RIR Nabisco rose % to 83% and led the active list on volume of more than 4.2 million shares.

The company was due to receive formal offers by late Friday from competing groups seeking to take over the food and tobacco giant. General Electric, which raised its quarterly dividend from 35 cents a share to 41 cents a

hare, climbed 1/2 to 43%. Hewlett-Packard rose 114 to 4814. On Thursday the company reported that its earnings for the fourth fiscal quarter ended Oct, 31 increased to \$1.03 a share from 85 cents a share a year

Other gainers among blue chip stocks included Exxon, up % at 42%; American Telephone & Telegraph, up % at 27%; International Business Machines, up % at 115%, and Coca-Cola, up %

Vecco Instruments added % to 25% on top of a 1% point gain Thursday, when the company agreed to be acquired by Unitech PLC for \$26.50 a share.

The NYSE's composite index of all its listed ommon stocks added .94 point to 150.18.

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#### **ECONOMIC SCENE**

SATURDAY-SUNDAY, NOVEMBER 19-20, 1988

#### Can Bush's Pragmatists Ease Market's Anxieties?

By LEONARD SILK

Ven York Times Service

EW YORK — President-elect George Bush tried this week to quell anxieties in the stock, bond and foreign-exchange markets. But the markets remained disconsolate and refused to let him enjoy his Florida vacation.

As the dollar slid and stocks and bonds fell, Mr. Bush emerged from the waves to say that he would continue to pursue "policy coordination and exchange-rate stability.

Mr. Bush also sought to reassure the markets by naming Treasury Secretary Nicholas F. Brady, the current treasury secretary who came from Wall Street and headed the study of last October's stock market plunge, as his own Treasury secretary.

Some of these same

people failed to solve

problems during the

chronic U.S.

last eight years.

choice was seen as further proof that the Bush adminis-tration would be "pragmatic." The president-elect had already made that point in choosing James A. Baker 3d.

his campaign manager and a former Treasury secretary, as his secretary of state. Mr. Baker, widely regarded as the ultimate pragmatist, turned dol-

lar policy around, and around again, as circumstances required.

Mr. Baker's former deputy at the Treasury, Richard G. Darman, an imaginative and economically literate former professor at Harvard Business School, is expected to be named director of the Office of Management and Budget.
The chairman of President Bush's Council of Economic Advis-

ers is likely to be Michael J. Boskin, a professor at Stanford University who advised Mr. Bush during the campaign. He is

regarded by fellow economists as competent and pragmatic.
With this sort of pragmatic economic team taking shape, why are the markets so jittery? Don't they like pragmatism? Are they worried that pragmatism may be a useful tool for dealing with short-term problems — certainly better than ideological rigidity - but that it offers few assurances about the will and vision to pursue a long-term, and politically difficult, course needed to solve the nation's fundamental economic problems?

It was, after all, the failure of some of the same players to follow such a course that produced the nation's chronic budget and trade problems during the last eight years.

N EARLY TEST will come with the budget for fiscal year AN EARLY TEST will come with the budget for the land an Indian January and amended by Mr. Bush in March. Under the Gramm-Rudman Act, the deficit is supposed to come down to \$100 billion in 1990, which will require cuts or tax increases of \$40 billion to \$50 billion.

This week the markets were worrying not only about Mr. Bush's budgetary policy, and how be will escape from his no-taxincrease pledge, but also about monetary policy. There were fears that the economy is heating up, prompting concern about inflation, tighter money and rising interest rates.

Steven Axilrod, the vice chairman of Nikko Securities in the

United States and the onetime chief economic adviser to the former Federal Reserve chairman, Paul A. Volcker, says the U.S. inflation rate could easily increase to 5 or 6 percent next year from its current range of 4 to 5 percent.

The Fed, now under the conservative direction of Alan Greenspan, is likely to adopt a more restrictive monetary policy, to head off higher inflation and defend the dollar, as Mr. Bush insists will be done. That means higher interest rates - and that is what is spooking the stock and bond markets.

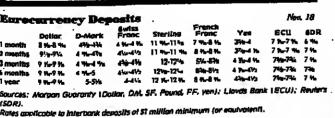
Higher rates would also raise anxieties about recession and the fragile U.S. and international debt-structure. Such rates would also pose new threats to the American banks that hold Third World paper, to troubled U.S. savings and loan institutions, and to the increasing number of highly leveraged corporations.

#### **Currency Rates**

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	Milan	1,295,18	2.344.50	743.84	217.45	_	652,79	35,497	225.42	19.53
•	New York(c)	_	1.8155 b	1,7375	5.739	1,291.50	1.9605	36.41	1,46	122,60
L	Ports	5,946	19,783	3,4184		0.456 =	3.0319	0.1631	4.07	4.8394 *
	Tokyo	122.25	723.27	79.83	20.74	0.954	<b>Q77</b>	3.4006	<b>EA.43</b>	
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NEW YORK — The stock price of RJR Nabisco Inc. rose Friday afternoon in anticipation of higher offers by the two major bidders for

Market

Sees New

**RJR Bids** 

Stock Price Rises

Before Deadline

the food and tobacco giant.

The deadline for bids was 5 P.M. On the New York Stock Exchange, RJR Nahisco was the most active issue. The stock closed 87.5

cents higher at \$83.625. Sources elose to the situation said each of the two groups that has already bid more than \$20 billion for RIR Nabisco was moving for-

ward with new offers. "Everyone's moving ahead." said one source.

A management group led by F. Ross Johnson, RJR Nabisco's chief executive officer, was likely to bid for just the tobacco interests of RJR Nabisco, not the whole company, according to people with knowledge of the situation. The group has already offered \$20.9 bil-lion for the conglomerate. A special board committee run-

ning the auction said earlier that it might sell off the company's food husinesses and encouraged bidders to consider offers for just the to-

bacco operations.

The second known bidder, Kohlberg, Kravis, Roberts & Co., was likely to present a new, overall hid for RJR Nahisco, but a substantial portion of that would be in securities worth considerably less than their face value, the sources said. Kohlberg, Kravis previously of-fered \$20.3 billion.

Because the new offers may not be directly comparable, making a choice could be difficult.

The price of RJR stock tumbled more than \$5 a share Thursday morning, to \$79, as traders reacted to unsubstantiated rumors that Kohlberg, Kravis was dropping out of the auction. (NYT, Reuters)

# Secret Meeting Led to Massed Dollar Support, Officials Say

By Peter T. Kilborn

Non York Times Service
WASHINGTON — Treasury Secretary Nicholas F. Brady and leaders of the major industrial democracies laid plans to enforce their stable dollar policy at a secret meeting on Monday in Paris, ac-cording to a Treasury official and officials of two other countries who declined

The meeting at the Louvre Palace of-fices of the French Finance Ministry re-sulted in Thursday's multigovernment assault on the currency markets that checked the dollar's latest decline, 10 its lowest level against the yen since World

Starting in Asia and sweeping westward as currency markets opened, the central banks of 10 or more countries, including the U.S. Federal Reserve. bought dollars in heavy volume.

The Bank of Japan was estimated to

estimates put the total buying by central banks at about \$! billion.

"Those interventions were not at random," said an official of a European finance ministry who insisted that he not be further identified. "They were the result of talks that have taken place."

The U.S. Treasury official said the secres meeting had been planned weeks ago, before the recent turmoil in the mar-

He said the countries involved thought it essential to meet after the U.S. election to establish whether the administration of President-elect George Bush remained in agreement with the policies established by the Reagan administration. Mr. Bush's election meant that the

policies would continue, the Treasury of-The decision to meet "was based on

general concerns," the official said. "It

was not the result of one day's market action on Friday.

Last Friday, the dollar plunged amid speculation, in the absence of comments to the contrary, that Mr. Bush would want a lower dollar to help reduce the U.S. trade deficit.

On Sunday and Mooday, top Bush advisers, and ultimately Mr. Brady and Mr. Bush, said that incy were not seeking a cheaper dollar and that the seven-nation cooperative policy to keep the dollar

stable remained intact. But except for the words from the Bush camp, there was little evidence that other countries — with the exception of Japan — remained committed 10 the policy. The United States coordinates economic policy within the Group of Seven, whose

other members include Japan, West Germany, Britain, France, Canada and Italy. The acknowledgment Thursday of the meeting in Paris, as well as the market

by its absence from the markets had raised doubts about its support of the monetary policy - appears to have removed doubts that for now, the nations wanı a stable dollar.

Officials said there had been no change in the ranges within which the countries had agreed to bold the dollar. Those ranges have never been disclosed, but they are generally assumed to he 120 to 140 year and 1.60 to 1.90 Deutsche marks.

Officials would not name all the participants or the nations represented at the meeting Monday.

But they said the participants included the top international policy experts of three key finance ministries: Assistant U.S. Treasury Secretary David C. Mulford; Hans Tietmeyer, the West German state secretary for finance, and Toyoo Gyoten, a Japanese deputy minister for

In addition 10 those three and a French deputy, whose presence at the meeting was assumed. West German Finance Minister Gerhard Stoltenberg was in town at the time for talks with French officials, including Finance Minister Pierre Beregovoy and his predecessor, Edouard Balladur.

Officials familiar with the meeting said the senior ministers did not sit in.

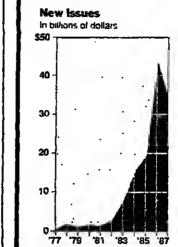
A spokesman for Mr. Stoltenberg in Bonn said the finance ministries had

been conferring "all the last days," but be said the minister's trip to Paris "was only a private visit." Beyond meeting the French finance officials, "he visited museums," the spokesman said.

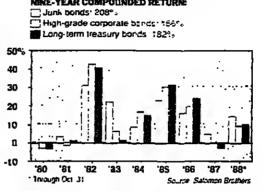
West Germany's participation in Thursday's market intervention was significant evidence of a multilateral accord to bolster the dollar. Until Thursday.

See MEETING, Page 12

#### Measuring the Junk Bond Market



Comparing the Investment Returns Includes price change plus interest. In some years ol declining interest rates. Treasury and high-grade corporate issues performed better because their prices NINE-YEAR COMPOUNDED RETURN Junk bonds: 208° a



#### Junk Bonds Retain Their Appeal But How Many of the Securities Can Market Absorb?

By Michael Quint

New York Times Service
NEW YORK — Pessimists call them "speculative-grade" bonds. Optimists prefer the term "high-yield" bonds.

But everyone knows them as "junk" - risky bonds that pay high rates of interest — a fast-growing segment of the bond market that bas played a critical role in the wave of corporate takeovers and reorganizations of the past few

The deluge of recent acquisitions and offers, financed in part by junk bonds, has raised the question of how much in new junk bonds the market can absorb.

Already, about \$10 billion of new issues is expected over the next few months. That amount could increase sharply with agreement on pending takeover offers, such as the one for RJR Nabisco, which could use more than \$3 billion of junk bonds to help finance a transaction valued at more than \$20 billion.

So far, there are no clear signs that the investors' appetite for junk bonds is waning.

The spread between the yields on such bonds and Treasury issues has increased by about half a that was a temporary development caused by heavy supply, not a crisis of faith.

percentage point over the past few months, often a sign of weak demand. But securities dealers said

Ronald Yersak, senior vice president at Drexel

Burnham Lambert, said that "two or three years ago, when the universe of investors was smaller, this amount of supply might have been a prob-

But now, he said, the rise in tunk bond yields relative to Treasury issues is merely a sign that investors are being more selective.

"Investors are in a good position to stand on the sidelines with their cash and wait for the ones they want" he said.

In early November, for example, Federated Department Stores had to offer 16 percent and 17 percent interest rates on new bonds totaling more Those rates were more than a percentage point

higher than levels contemplated earlier this year, but they were needed to entice investors who worried about weakening sales at department stores and the fact that Campeau Corp., which recently acquired Federated, already had a full plate of debt from last year's acquisition of Allied

Looking ahead, securities dealers see financing of the RJR Nabisco takeover as a watershed event that should belp give the junk bond market more legitimacy in the eyes of investors and corporate

executives. The record size of an RJR Nahisco junk bond issue would require an extra high yield, but those involved are confident that investors would be

See JUNK, Page 11

## **Inflation Rate Rose Last Month** To 6.4% in U.K.

LONDON - British retail-price against inflation his top priority. He predicted price rises would inflation bulged to an annual rate of 6.4 percent in October, up sharply from 5.9 percent in September and the highest level in more than three years, the government said Friday.

The Department of Employment said the retail price index was driven up in October largely by rises in mortgage interest rates, which re-flect steep rises in British interest rates generally as the government attempts to pinch off an inflationary consumer spending boom.

The October increase was slightly ahead of a consensus market forecast of 6.3 percent.

Friday's figures put British inflation well ahead of price rises among major Western trading rivals. Inflanon in West Germany is running at 1.3 percent; in the United States, at 4.5 percent; and in Japan, at 0.6 percent.

But inflationary fears in finan-cial markets — the stock market barely moved after the inflation figures were announced - were eased by evidence of a slowdown in the consumer boom.

Employment Secretary Norman Fowler said that the index excluding mortgage interest payments rose 5.1 percent in the year to October, compared with an annual rate of 5.2 percent in September.

Another official report on Friday showed a decline in the rate of increase in private borrowing, which was up by £540 million (\$983.1 million) in October, after £1.6 billion growth in each of the past three months.

The boom bas both added to inflation and sucked in imports, creating a trade deficit expected to

reach £13 billion this year. Inflation stood at around 4 percent early this year and last exceeded October's levels in July 1985, when it registered 6.9 percent. Chancellor of the Exchequer Ni-

gel Lawson said in a recent speech

peak at over 6 percent and decline Mr. Lawson also said that interest rates would remain high for the next year. Bank lending rates have

that be considered the battle

risen from 7.5 percent in the summer to 12 percent now.

(Reuters, AP)

#### **OPEC Members** Struggle For Output Accord

The Associated Press

NEW YORK — Oil futures prices ended mixed in choppy trading Friday as members of the Organization of Petroleum Exporting Countries continued to meet informally in hopes of ending a deadlock in output talks.

output talks. Market watchers said they were not optimistic that the gatherings this week in Vienna would help eliminate the worldwide oil gltt.

The price of West Texas Intermediate for December delivery rose 51 cents to \$13.80 a barrel on the New York Mercantile Exchange. But North Sea Brent for delivery in Deeember fell 38 cents to \$11.97, and the price for Dubai Light slipped 28 cents a barrel to \$9.45.

"There's a growing senti-ment that OPEC is having a difficult time getting their act together," said Peter Beutel.

an energy analyst. Talks reportedly were dead-locked Friday as Iran and Iraq disagreed on output.

## Eastern Unions Seek to Block Sale

federal court Friday seeking to pre-vent the airline from selling its profitable sbuttle operations to the New York developer, Donald

The suit is another volley in a long-standing legal battle between the Airline Pilots Association, the International Association of Machinists, the Transport Workers of chairman of Texas Air Corp., which owns Eastern and Continen-

#### United to Retain Route to Tokyo

WASHINGTON — The U.S. Transportation Department said it gave United Airlines permission to retain the Seattle-Tokyo route, re-versing its earlier decision to give the lucrative route to Continental

United is a unit of UAL Corp. while Continental is a unit of Texas

Continental and American Air lines, a unit of AMR Corp., had sought the route and both applied to have United's agreement can-

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25 years of personal experience.

WASHINGTON — Eastern as a sale of the shuttle, which flies be major force in the aviation industries' unions filed a motion in tween Boston, New York and try," said Captain Jack Bevis, a which files be try," said Captain Jack Bevis, a which files be try," said Captain Jack Bevis, a fideral and Washington, violates federal labor law because it constitutes a substantial change in the company's operations at a time when two of

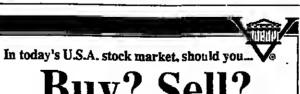
> tract negotiations. Financially ailing Eastern announced the \$365 million cash sale of the profitable shuttle operations to Mr. Trump last month, but the sale has not yet been completed.

pilots' union leader at Eastern.

They've done nothing but squeeze The unions made the motion to the unions - those representing block the sale as part of an existing

pilots and machinists - are in con- suit filed in federal court last summer regarding Eastern's planned layoff of 4,000 workers and dropping of 200 flights, including clos-ing its Kansas City bub in Septem-

In August, Federal District The unions contend that Mr. Judge Barrington Parker accepted Lorenzo is attempting gradually to the unions' argument that the lay-eliminate unionized Eastern in fa-offs violated the Railway Labor vor of nonunionized Continental. Act, which covers airline workers, "It is obvious that the Texas Air and issued a preliminary injunction management at Eastern has no in- barring the layoffs.



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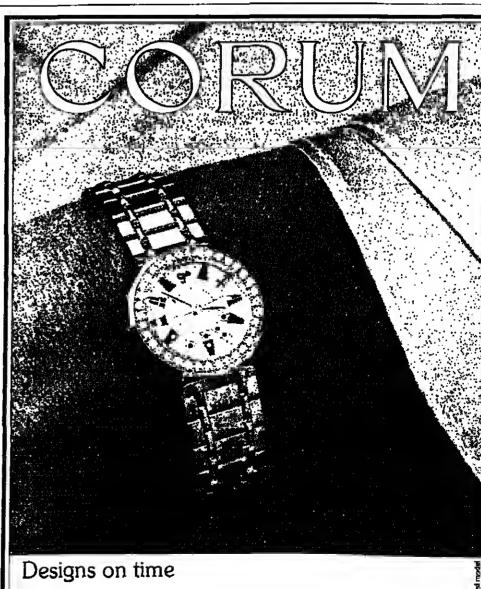
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## **BGas Loss Triples to £107 Million**

Compiled by Our Staff From Disputation half fell million. said Friday that its pretax loss in the first half of the financial year had more than tripled to £107 milhon (\$194.8 million) on a currentcost basis because of weaker oil

The company also said that its future profits could be affected by changes arising from a recent inquiry into its pricing policies by Britain's Monopolies and Mergers

In addition, British Gas denied that it had made a bid for London & Scottish Marine Oil PLC's 25 percent stake in the oil exploration company Enterprise Oil PLC

For the six-month period ended Oct. 2, British Gas's sales increased marginally to £2.64 billion from £2.50 billion. The chairman, Sir Denis Rooke, said there had been growth in volume of gas sales to domestic and commercial markets.

But with oil prices declining and the consequent loss in the value of gas sales, British Gas said its loss for the period had leaped, from £31 million a year earlier. Loss per share increased to 2.7 pence from

On an historical cost basis, the

half fell to £28 million from £111 day the company had sold its 1.14

Net loss on a current-cost basis was £117 million, compared with £71 million. On an historical cost raid on that company Sept. 13. He basis, net profit tumbled to fig would not disclose the price remillion from £71 million. Net inter- ceived for the shares, but said "we est rose to £43 million from £34

British Gas shares declined 2 pence after the results to close at 163.5 pence on the London Stock

Sir Denis said the company typically makes a small profit or suffers a loss during the first half of its financial year, with the great majority of its income generated in the second part of the year, which falls during winter.

Bus looking ahead, British Gas said it feared the monopolies and mergers commission inquiry could affect earnings. The company said it was not yet able to quantify effects of the inquiry, though it did not expect a material impact on profits in the current financial year.

The company's recent embarkation on an acquisition trail in the exploration and production sector led some oil analysts to believe it would bid for the stake in Enter-

But the chief executive of British company's pretax profit for the Gas, Bob Evans, told reporters Fri-

## Trading Heavy in Nestlé After Decision on Stock

ZURICH - Nestle SA's stock experienced sharp price movements Friday in bectic trading on the Zurich Stock Exchange after the company ended discrimination against foreign stockholders. On Thursday, the foods giant became the first big Swiss-owned

company to allow foreign investors to huy its registered shares.

"This is a revolutionary move by Nestle," said Gilbert Puder, an analyst at Bank A. Sarasin in Basel. "It will open the gates to the internationalization of Swiss stock markets.

The decision had the effect of blurring the distinction between the registered shares, which have guaranteed voting rights, and bearer

shares, whose voting rights can be abrogated.

As a result, Nestle's registered shares rose steeply Friday, benefiting Swiss investors. The bearer shares dropped, reducing the value of foreigners' boldings and bringing the prices of the two categories

much closer together. In Zurich, Nestle bearer shares fell steeply to close at 6,950 Swiss francs (\$4,791) each, from 8,745 francs at Thursday's close. Its registered shares jumped to 6,070 francs from 4,320.

"The first reaction of many foreigners is naturally one of disap-pointment and annoyance," said Urs Ernst, head of research at Bank J. Vontobel. But, he added, "There will be a second ohase where people really start to look at what Swiss companies are worth and then the bearers will recover.

The registered shares of other major Swiss companies were generally sharply higher, and bearer shares lower, dealers said. They said the market was unnerved by speculation that other major Swiss companies might eventually follow Nestle's lead.

Nestle, seeking greater access to foreign capital without exposing itself too much, said it would limit the number of registered shares

that can be held by an individual or party to 3 percent of those shares outstanding. Nestle's 1987 sales were 35.2 hillion Swiss francs.

#### Testing Hong Kong's Credibility

#### Telecommunications Offering to Measure Confidence

By Floyd Norris

Ven York Times Service NEW YORK - When the hulls were running in the months preceding last year's collapse in global equities, none were more boisterous than those in Hong Kong. And when the olunge came, no market lost more credibility.

Now, the extent to which the market has regained its standing will be rested as shares in a major Hong Kong company are offered around the world.

The offering in Hong Kong Telecommunications Ltd., the colony's telephone company, is expected early next month. It will seek to raise more than \$500 million, about one-third of that overseas.

The size of the planned offering has been cut hack, however, since it was announced in January. The offering, originally set for September, was delayed "because of the market situation," a company spokesman said earlier this month

Hong Kong's reputation as a major financial center was damaged when its stock and futures exchanges shut down from Oct. 20 to 23. 1987, in the aftermath of the equities plunge.

Only a government bailout allowed the futures market to reopen, and its survival is still not assured. Both share prices and trading volume are a fraction of what they were before the collapse, and the men who ran the Hong Kong Stock Exchange in the beady days of the hull market are facing criminal charges of corruption.

On 10p of all that come the uncertainties associated with Hong Kong's changing political status. In 1997, the British lease on the terri-

be transferred to China. Beijing has promised that Hong Kong will be allowed to continue as a major financial center, with capi-

year 2047, but there are those who doubt such promises can really bind a future Chinese government. The offering in Hong Kong Tele-

communications is being made by its British parent, Cable & Wireless PLC, and hy the Hong Kong gov-

If the offer succeeds, as expected, it will be an indication that investors are willing to accept promises from Beijing about the

and one that has no way to hedge its bets on the future of the territory, where its assets and its prospects are firmly placed.

The concern, formed early this year hy a merger of Hong Kong Telephone and the local unit of Cable & Wireless, bas been growing rapidly, largely due to surges in the volume of international facsimile service and to the growing volume of telephone traffic between

Hong Kong and the mainland. The price of the shares reflects those growth prospects.

In Hong Kong, the shares are selling at about 6.6 times book value, and at 15.8 times the company's estimate for earnings in the current year. The dividend yield is estimat-

ed at slightly more than 4 percent. By American standards, those are befty premiums for a telephone company. Investors will have to decide whether they can depend on the growth's continuing.

The very fact that the offering will proceed represents a dramatic turnaround for Hong Kong, whose reputation was hurt by the market about 3.5 percent of the stock, raisclosing and by subsequent accusations that the exchange's top officials, who have since been replaced,

talism assured through at least the listing shares during the hull mar-year 2047, but there are those who ket. Those charges are pending.

The Hong Kong government had kept its hands off the stock exchange, but since the crash it has

taken a much more acrive role. "We unashamedly beld a gun to their heads," said David A.C. Nendick, the Hong Kong government's secretary for monetary affairs, in describing the government's efforts to get former stock exchange offi-

future of Hong Kong.

Hong Kong Telecommunications is both the largest company

He said the changes, uncoming new regulatory plan and new leadership for the exchange, had assured a market that would not have similar problems in the future.

Negotiations are continuing on the future of the Hong Kong Futures Exchange, where huge sums' were lost on stock index futures contracts and which would have failed hus for bailous from the government and major banks and brokerage firms.

"If the market will not carry forward the changes, it will close," Mr. Nendick said in an interview. "We don't see a futures market as absolutely essential." If it does continue, an interest rate futures contract is expected to be introduced.

About a quarter of the Hong Kong Telecommunications shares being offered are expected to be form of American depository shares, hy underwriters led by Prudential-Bache.

About two-thirds of the shares will be offered in Hong Kong and the rest in overseas markets other than the United States.

The Hong Kong government and Cable & Wireless are each selling ing the public ownership of the company to about 16 percent. They had hoped to sell 4 percen

had demanded and received what more, hus backed off due to market

#### JUNK: How Many of the High-Yield Securities Can the Market Absorb?

Kann Named As Publisher At The Journal

The Associated Press NEW YORK - Peter R. Kann, who won a Pulitzer Prize for international reporting and was the founding editor and publisher of The Asian Wall Street Journal, has been named publisher of The Wall

Street Journal, effective Jan. 1, Mr. Kann, 45, succeeds Warren H. Phillips, who re-mains chairman and chief executive officer of Dow Jones & Co., the Journal's parent company. Mr. Phillips, 62, has held those positions since 1975.

Mr. Kann joined the Journal in 1964 as a reporter after graduating from Harvard University. He became Vietnam correspondent in 1967 and based in Hong Kong, covered Southeast Asia from 1968 to 1975. He won the Pulitzer Prize in 1972.

He helped launch The Asian Wall Street Journal before returning to the United States in 1979 as assistant to the chairman of Dow Jones.

Mr. Kann also was named the Journal's associate pub-

companies. They would like to sell to banking companies, but federal attracted by the steady sales and value of the company's divisions.

"RJR is so well known that it will be a stimulant, attracting more investors to the high-yield market," said Robert E. Chambliss, manag-

ing director at Salomon Brothers. The willingness of a blue-chip company like RJR Nabisco in go

deeply into debt also is helping convince other corporations that heavy borrowing and the sale of junk bonds can be a reasonable corporate strategy, not a sign of As the volume of junk bond fin-

ancings has grown, so has the universe of buyers. For many insurance companies and pension funds, purchases of junk bonds are replacing the common stock they used to own in those companies, before the stock was sold at a high price as part of a takeover.

The fastest-growing group of investors is made up of foreigners, whose market share is well above 5 percent, according to Drexel Burnham Lambert. Drexel estimated that Japanese institutions, ranging from corporations with excess cash to insurance and leasing companies, are buying junk bonds at the rate of \$1 billion a month.

In the United States, securities dealers hope to expand distribution of the bonds among insurance

regulations prohibit commercial banks from investing in junk honds, although the bonds can be bought by bank holding compa-

percent stake in London & Scottish

Marine, known as Lasmo, which

was acquired during an ill-fated

Market sources said British Gas

always had been primarily interest-

ed in acquiring Lasmo, rather than

Enterprise. The failure of the Brit-

ish Gas raid on Lasmo frustrated

Referring to British press reports

that the Enterprise stake had al-

ready been assigned to Societé Na-

tionale Elf Aquitaine of France, Mr. Evans said, "whether that's

true or not, I have no means of

judging." The outcome of the hid-

ding contest for Enterprise is ex-

The company also said it had

made losses on two previous acqui-

sitions in the exploration and pro-

The managing director of fi-nance at British Gas managing di-rector, Allan Sutcliffe, said the

company's Canadian subsidiary,

Bow Valley, had lost about £10

million. Acre Oil, another recent

acquisition, posted a small loss.

pected to be announced soon.

duction sector.

sold it for a small profit."

enable a buyer to offer a price high enough to persuade a company's shareholders to sell.

The crucial role that junk bonds Although juck bonds have been play in takeovers have made them videly associated with takeovers, an easy target for critics, who worry

The willingness of a blue-chip company like RJR Nabisco to go deeply into debt is helping convince other corporations that heavy borrowing and the sale of junk bonds can be a reasonable corporate strategy, not a sign of weakness.

or to fend off unwanted suitors. according to the Alliance for Capital Access, a trade group financed by corporations that have issued junk bonds.

issued for the same reasons as investmenl-grade bonds - friendly acquisitions, retirement of shortterm deht, investment in new equipment and plants. But the fact is that many take-

fewer than than 20 percent of all that heavy debt loads will make such bonds issued before 1988 were corporations less able to weather used to finance bostile acquisitions the next slowdown in the economy. So far, Congress has not acted to limit corporate takeovers or the financial market's growing appetite

for debt. But there has been talk of limiting the deductibility of interest In most cases, junk bonds are payments, which makes junk bond financing attractive. Tax laws allow interest payments to be deducted as a cost of doing

overs could not go forward without junk bond financing. Junk bonds law changes in 1986 that eliminated the preferentially low tax rate for capital gains.

But a serious risk to the junk bond market would be an increase in loss from defaults above the 2 percent rate of 1987.

The last six years of economic expansion have been a boon to the nory expires and its sovereignty will junk bond market, belping 10 keep average losses from default below 2 percent, but analy: 15 worry that an economic downturn and the increased number of junk bonds could lead to more defaults.

bonds, however, it seems that more investors are accepting the risk of loss, in exchange for high yields,

"The basic premise, that there is a better halance between risk and reward for high-yield issues than for investment-grade issues, is intact, and more widely accepted than ever," said Mr. Chambliss of Salomon Brothers,

Zane Brown, executive vice president in charge of bonds at Equitable Capital Management Corp., said he was "comforted by the fact that there is more participation, with more dealers making markets." As the supply of bonds grows, he said, be "would have no

#### As securides firms sell more EC Advances Toward New Mergers Policy But diplomats said Britain, West

BRUSSELS — European Community trade ministers moved closer on Friday to giving the executive Commission powers to consider in advance, or possibly block, major company mergers that are changing the European husiness land-

The compension commissioner, Peter Sutherland, told reporters af-ter the meeting that all governments had agreed that the Commission should have exclusive powers to approve or veto hig mergers rather than national authorities.

The acceptance of that princi-

Germany and France were insist- ers to block or force changes in ing that the size of merger in which company mergers only after they the Commission would be able to intervene should be raised so that fewer would be decided by Brussels and more by national bodies. Diplomats said serious differ-

ences also remained over whether companies could go ahead with a merger while it was being considered by the Commission for possihle anti-competitive aspects.

Some Commission officials expressed confidence about prospects for an accord when ministers meet in December, hut Mr. Sutherland

The Commission now has powhave taken place.

With hacking from EC business groups, Mr. Sutherland argues that prior clearance would give companies legal certainty when merging, while replacing differing national rules with one EC-wide regulation would remove anomalies.

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that pried: in December, to the pried of the

vate stockholders already owns 20 percent of

holders of the three banks. After the offer, the three state banks will sell a further 5 percent stake to a private group of Mediobanca stockholders. This group of pri-

Mediobanca and is part of the bank's stockholders syndicate. The three banks will retain a 25 percent stake

Among the private shareholders are Fiat SpA, Pirelli SpA and Carlo de Benedetti's holding company, Compagnie Industriali Riunite SpA. Others are Berliner Handels- & Frankfurter Bank of West Germany and Lazard Freres, the French investment bank.

The group is buying the Mediobanca shares at the offered price plus a 12 percent premium,

Mr. Sutherland has proposed that all mergers involving companies with combined sales of 1 hillion European currency units (\$1.20 billion) should be dealt with hy the Commission, although it

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#### **DOLLAR:** Bears Battling Against the Central Banks

(Continued from page 1)

moving on to fill other areas in his administration. "We're going to flesh out the economic side of the house and then start working on national security," Mr. Bush said.

His designated chief-of-staff, John H. Sununu, said in a television interview that the quick selection of advisers should assure financial markets that Mr. Bush will provide strong leadership on cut-ting the U.S. budget deficit.

Concern over the huge U.S. budget and trade deficits and about the incoming administration's ability to deal with them quickly has been the major factor behind the dollar's steep decline since the U.S. presidential election last week.

Mr. Brady said be was not concerned about the weakness of the

"I don't see anything in the figures right now that would indicate that interest rates are going to rise," Mr. Brady said on NBC's "Today"

have to be adjusted next year.



cerns in the financial markets about the resolve of Mr. Bush to deal with the budget deficit were

Higher interest rates in the Unit-ed States would increase the dollar's investment attractiveness. Markets were therefore briefly unsettled by Mr. Brady's comments.

But the currency was buoyed lat-er by remarks from the House speaker, Representative Jim Wright, a Democrat from Texas, that Mr. Bush was prepared to take serious action pp the budget deficit. After a meeting with the president-elect, Mr. Wright said "he is pre-pared to do what is necessary." In spite of the stability brought

about by central bank support, sev

\$1.8160 from \$1.8205.



vanced to 1.4585 Swiss francs from 1.4505, while the pound eased to PRETTY PLEASE - David Stewart, a British currency trader, gesturing Friday to a colleague at a Tokyo foreign-exchange dealer's office. The dollar strengthened from lows Thursday.

#### MEETING: Secret Talks Led to Heavy Dollar Buying

only the Bank of Japan had been trying to stabilize the dollar with much force.

eral economists remained skeptical

chases by central banks, including

those of the United States, Japan,

West Germany, Britain, France, It-

aly and Switzerland, were between \$2 and \$3 billion on Thursday and

The dollar rose to 1.4600 Swiss

francs at the close, from 1.4468 at

Thursday's close, and to 5,9390

French francs from 5.8890. The

dollar also firmed against the British pound, which fell to \$1.8155 from \$1.8280.

In London earlier, the dollar

closed mostly firmer. The central

banks' operations boosted it, but

momentum later fizzled out and

some of the gains were crased in

The dollar eased to 122.65 year

from 122.70 at Thursday's close, but it advanced to 1.7350 DM from

1.7295 DM. The dollar also ad-

thin conditions, they added.

Some economists said total pur-

that it could last.

Friday combin

Beyond the agreement to make a show of force in the markets at an opportune moment, officials would not disclose what they, or finance ministers, had discussed before the Paris meeting.

The most important question. said John Williamson, economist at the Institute for International Economics in Washington, is whether the U.S. administration was assured of its allies' unconditional

real about the budget," Mr. Williamson added, referring to the huge deficit Mr. Bush faces.

Extraordinary steps were taken to camouflage the Louvre meeting, apparently for fear of fanning spec-

ulation in the markets.

Rumors swept through Paris on Monday that a meeting was being held following news of Mr. Stoltenberg's visit and a disclosure in Washington Saturday that Mr. Mulford had left for Paris on Fri-

Also, a meeting not connected with currency issues was under way support for a stable dollar.

They might have asked for a Organization for Economic guarantee that he do something eration and Development. at the same time at the 24-nation Organization for Economic Coop-

OECD meeting included Bery Sprinkel, the president's chief economic adviser. This meeting gave Mr. Mulford a cover to join in the

participants at the Finance Ministry discussions seem to know know little of the talks.

"Yes, there was the meeting," a Japanese Finance Ministry official said. "All I know is the fact that there was a meeting.

on Monday.

The spokesman for Mr. Stoltenberg said he was skeptical, because he had seen Mr. Tietmeyer in Bonn

Opportunities in Japan Are Left for Foreign Compani $\epsilon$ at a time, and by as much as 100 points on some occasions. TOKYO - Japanese securities firms remain reluctant to arbitrage

Tokyo Firms Shun Index Arbitrage

nance-related stocks through their own accounts; they can only accept orders from outside investors. Finance-related stocks are those companies that have announced new financings through issues of

"I don't really understand why Jananese firms hesitate to arbitrage convertibles, warrant bonds or even when the spread between fu-Several Japanese securities firms tures and the cash index seems wide enough for profit," said Louis

market.

Tseng, vice president of interna-tional trading at Goldman Sachs (Japan) Corp. "Foreign firms never fail to arbitrage when premium or discount spreads reach a certain level, 400

points or so for the Nikkei-225." said a trader at a Japanese firm, referring to a key Tokyo market "Unnatural movement in the cash index tells us foreign firms are arbitraging, the trader said. "We hardly do it."

between stock-index futures and

cash stocks since index futures

trading started in Japan in Septem-

ber, traders said Friday, leaving the

field to foreign companies.

Japanese futures traders are willing to arbitrage, but industry regu-lations discourage them from step-ping into the cash stock market, Japanese traders said.

I usually can't do anything but watch our computer program flash the arbitrage 'go' sign," said Ka-zunori Maruyama, manager of fu-tures trading at Tokyo Securities.

Foreign securities firms, especially U.S. firms such as Salomon Brothers Asia, Morgan Stanley, Smith Barney and Goldman Sachs, are frequent arbitragers, tradens at Japanese firms said. Foreign firms have more expertise in futures arbi-trage, but have little involvement in

cash stocks to Japan. Foreign firms lack understandng of the Japanese market and find it difficult to break down Japanese

customer loyalty to Japanese secu-rities firms, traders said. They said arbitrage deals done by foreign firms have affected the Nikkei-225 index by tens of points Securities firms cannot buy fi-

Japanese futures traders are willing to arbitrage, but industry regulations discourage them from stepping into the cash stock

have arbitrage stock baskets with 50 or 100 companies, none of which are finance-related, traders say.

The problem is that such baskets, without finance stocks, do not move along with the existing stock index." said Masami Murakami, deputy general manager of futures

trading at Nikko Securities.

The finance-related rule forces Japanese firms' futures traders to focus on intermarket spread trading between index futures or calendar spread trading between differ-ent month contracts on one futures index, not touching the cash side.

Japanese traders say fe firms are arbitraging using a package consisting of 2,000 s of each of the 225 companies Nikkei-725 lodex.

"Tokyo branches of U.S. so ties firms have separate accou New York-based and Tol based," said Masatoshi Satol futures trader at Dai-Ichi Secuties. "Japanese regulations de apply to orders from overseas c

Japanese traders said the rule finance stocks should be re-evaated ahead of the introduction d stock index options in Japan sta: ing next spring and the listing. Japan's two futures indexes on C cago's futures exchanges next ye

"Active arbitrage by Japan firms is necessary if the futures changes here are to be healthy." cause open positions are at qui low level in the current specule dominated market," said Kazui, Kawasaki, manager at Kokusai curities.

Others doubted the finance lated rule would be abolished w Japanese securities firms are of ing varied services.

Even if the rule were change. broker said, Japanese firms wo, not train floor traders in arbitr; before the start of fully computized trading of cash stocks on pan's exchanges, which is likely . e more than two years away. He added, "Without futures of

options it's difficult for foreign firms to survive because the cast market seems closed to them."

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# adjustments would not necessarily be big.

The professors, dubbed the "five wise men", also said West Germany's economy should grow by about 3.5 percent this year and about 2.5 percent in 1989, but that expansion would fail to reduce the number of unemployed in the country.

Dollar Seen at 1.70 DM

ment, an economic report said Friday.

BONN — The dollar is expected to trade at an average 1.70 Deutsche marks to 1989 and the West German currency will be

slightly revalued in the event of a European Monetary System

The report, by five independent university professors, said that

"This is valid for the exchange rates of every deficit country whose

currencies fluctuate freely, but also for some currencies within the EMS whose rates can be adapted," it said, adding that exchange rate

international trade imbalances suggested several exchange rates may

The report said that 200,000 new jobs would be created in 1989, compared to 175,000 this year.

Friday's

NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most fraced securities in terms of dallar value, it is updated twice a year. Via The Associated Press

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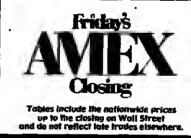
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مكذاءت الأصل

# ABU DHABI

Following the cease-fire in the Iran-Iraq war, there has been an atmosphere of renewal as the emirate moves into gear again. Now, the emphasis is on developing sectors such as overseas investment, industry and tourism.

# Development of Non-Oil-Related Industries

Arbitrage

Foreign Company

Japanese traders in package consisting of the 225 company

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Eribune

a Third of a Million Realises Around the World

Nikkei-225 index

THERE is a new sign saying "TOURISTS" at the immigration counter in the resplendent Nadia Airport, with its award-winning duty-free shop. It teflects a dramatic new approach by the Abu Dhabi government and the United Arab Emirates as a whole to actively encourage tourists to sample the "Arabian Experience."

The local campaign to lay the foundations of a toutist industry has been spearheaded by the Abu Dhabi National Hotels Company (ADNHC), which is sparing no effort to rell the world that the Gulf welcomes vistors. ADNHC does have a strong vested interest. It owns five major hotels managed by international chains: Sheraton, Inter-Cononenral, Hilton and Le Méridien. It also owns and manages a unique beach resort hotel, recently renamed the Gulf when its management was transferred from the American Ramada

The plunge in the world's oil price from a high of nearly \$40 a barrel to the present level of about \$10 meant a change of fortunes for the oil-based economy of Abu Dhabi. In spite of having the second-largest reserves in the Arab world after Saudi Arabia, Abu Dhabi has had to reshape its economic strategy. It has just trimmed its public spending in order to cut its budget deficit, and it is developing a shrewder international investment policy to maintain its current ac-

With a drop of more than 20 percent in oil revenues, the construction industry, services and supplies declined. In turn the number of foreign businessmen coming to Abu Dhabi fell off, and the luxury hotels, all with superb beaches and the last word in creature comforts for the overtaxed business traveler, suffered accordingly. Until then, no one in the region had seriously considered the potential for tourism. The almost limitless facilities and natural resources Abu Dhabi had to offer a discerning travel market had been overlooked.



Looking east along Sheikh al-Khalifa Street, one of the main thoroughfares.

There are sparkling bright beaches shaded with date palms perfect for every kind of water sport: windsurfing. sailing and diving. And, of course, there is the desert perhaps the greatest attraction. As one Swiss tourist said after an all-day descri safari in a Toyota 4x4 Land Cruiser: "If this is Arabia, we'll come back again. It has been a fantastic

Nasser al-Nowais, chairman of ADNHC, sees the company's tole expanding and diversifying to every area of the hotel, catering and tourist industry. Quoted in the company's larest annual report, he says: "Our expansion program has nor been limited to the UAE, as we have also set up a company to invest in hotel and rourism projects in other parts of the Middle East. The overseas Tourist Investment Company has two tourist villages which are already operating successfully in Tunisia and Morocco, and a further four

are under development in Turkey and North Africa." Mr. Hussain Al Nowais, chairman of Emirates Holdings, one of the city's leading businessmen active in many of the

service sectors and a strong supporter of tourist develop-ments says, about Abu Dhabi: "It is clean, safe, secure — and sunny. What more could a tourist want? What more could ADNHC wish now that its hotels are beginning to fill with tourists, with average occupancy rates of 70 percent or more? Last year approximately 18,000 tourists visited the United Arab Emirates, of which Abu Dhabi got its fair share. This year it expects to double the number, as tour operators' allorments are taken up. Many see the 1989-90 season as the start of the Arabian tourist boom.

We are trying to streamline our immigration, to make it smoother for those requiring visas and to be more friendly Continued on page 14

## **New Council to** Streamline the Oil Industry

supreme Petroleum Council has been appointed to take over the running of the oil industry and to rationalize the management activities of the Abu Dhabi National Oil Company. The council, composed of a wide range of senior oil officials and banking executives, will have to tackle the problems of lower oil revenues and a possible sudden increase in output. Oil has made the emirate one of the richest countries in the world, with a gross domestic product that has tisen from a low in 1985 to just short of DH 60 billion (\$20 billion) at the end of 1986. Twothirds of this figure was accounted for by oil and gas

Although efforts are being made to diversify the economy by encouraging more investment in the services sector, particularly tourism, real estate and property maintenance, as well as some light manufacturing, oil remains the basis of the economy. With the falling price of oil, both Abu Dhabi and the United Arab Emirates as a whole have had to cut back some of their development programs.

Important suggestions about future strategy have come from Dr. Mana Saced al-Oraiba, minister of petroleum and mineral resources, in a lecture to the general headquarters of the United Arab Emirates armed forces in Abu Dhabi, published recently. He made it clear that the OPEC quota of 48,000 barrels a day was unacceptable.

We have fixed the oil quota at 1.5 million b/d, and this is the minimum level accepted by the UAE under the present difficult circumstances," stated Dr. Otaiba. At the same ome he outlined the UAE's reserves in oil and gas, which he put at 100 billion barrels, compared to Saudi Arabia's 167 billion. These would be sufficient for the next 500 years, depending on output, and there is estimated to be enough gas for at least 1,000 years.

In order to streamline oil exploitation, production and Continued on page 16



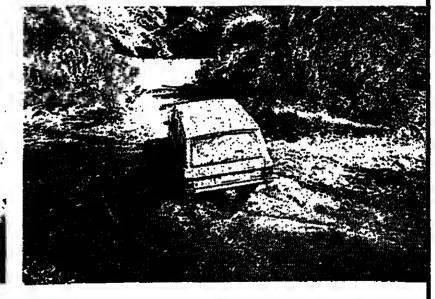












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Tracks:

## National Banks, International Interests

THIS year marks the 20th anniversary of the founding of the National Bank of Ahu Dhabi, one of the leading banks in the United Arab Emirates. "We are doing fine," says His Excellency Mohammed Habroush. chairman of NBAD, reflecting the views of most of the banks in the city. "We will be doing a little better this year. We are a very conservative and cautious bank," he adds.

In 1987 the bank bad an operating profit of more than DH 95 million



His Excellency Sheikh Mohammed Habroush, chairman of the NBAD and managing director of the ADIA.

(\$31 million), slightly less than the previous year, due to a reduction in profits from foreign exchange dealings. Domestically there was a significant improvement in net profits before provisions for non-performing loans of DH 58 million, compared to a marginal income of only DH 5 million in 1986.

The management states in its annual report that because of increased international competition and reduced economic activity in the Gulf region, it had "taken a decision to substantially increase its level of provisions both for doubtful debts and for loans made to developing countries which continue to be serviced."

Even so, the board expects to make substantially higher net profits by the end of this year.

"Things are definitely on the up and up, but there is still some concern about the oil price," comments a manager. Some revival of commercial activity is seen, particularly in real estate.

Foreign-exchange activities have been increasing. The bank is handling an average of \$400 million to \$500 million a day on the spor market, and is one of the largest dealers in the region. The NBAD has 12 traders plus a chief dealer. As part of its objectives this year, the bank is continuing its arabization policy by hiring and training more nationals.

Abu Dhabi Commercial Bank also has an extensive program of training nationals. "It used to be a problem, but now we are able to find more recruits," comments Sultan N. al-Suwaidi, managing director and chief executive officer. He, too, is optimistic about the future, but not just because of the Gulf War cease-fire. "We are expecting to see more trade-related business, more LCs, and more project financing. Business has begun moving again here and the situation is generally imsays Mr.alproving," Suwaidi.

The bank, which has a 60 percent government stake, has a very close business relationship with the Indian subcontinent, Besides its branch in Bornbay, it has a representative office in London, which provides backup services for all its operations in the Emirates and India.

Last year the bank turned a profit of DH 40 million. "I think that this year we will show a 40 percent increase," says Mr.al-Suwaidi, adding that the bank had to

make a very small provision for bad debts. "We have not had to create additional provisions," he adds.

Since its formation as a result of the merger of three local banks in 1986, the bank has adopted an aggressive attitude toward expan-



Sultan N. al-Suwaidi. managing director, Abu Dhabi Commercial Bank.

sion and development of new products for its customers. Ir has 24 branches, and is increasing its ATM network from 23 to 27. ADCB is also the sole issuer of MasterCard in the United Arab Emirates.

Last February the bank introduced its Islamic Fund No. 1, a currency trading fund based on its foreign exchange operations. Requiring a minimum investment of \$5,000, the fund now stands at about \$5 million, showing an 8 percent growth. "We are limiting the size of the fund, because we cannot use the interest on the deposits of our customers," explains Mr. al-

This month ADCB launched another foreign currency fund, Unit Fund No. 3, which will include units earning deposit interest and gains from currency dealings. It is the only one in the UAE, and will use locally based funds with a minimum of \$5,000 units. The new fund has been launched with \$2 million, and is expected to tise to around \$5 million. Profits will be reinvested and added to the value of the original units.

An earlier unit fund launched in 1987 and based on foreign currencies has performed better than most equities, fixed-interest stocks or bonds, especially taking into account the effects of the crash of 1987. ADCB has now succeeded in laying the foundations for a sound investment policy, an area of activity which Mr. al-Suwaidi says will continue to be developed in the fu-

One of the most rapidly expanding banking operations in the UAE is that of Bank of Credit and Commerce (Emirates). Started only five years ago following the conversion of the Bank of Credit and Commerce International (Overseas) into a local bank, it now has 16 branches. While it is often confused with the betterknown BCC International, the management of BCC (Emirates) in Abu Dhabi points out the difference. BCC (Emirates) is a local commercial bank whose shareholders consist of the Abu Dhabi Investment Authority (10 percent), the Dubai government (10 percent), local national shareholders (40 percent) and BCCI (Holdings) Luxembourg (40 percent).

"We operate here in Abu Dhabi purely on our own account," says a manager, but BCC (Emirates) is also able to take advantage of the massive international network of BCCI, "which in 2 sense makes us an international bank as well."

Most of its business is in trade-related and straightforward commercial banking operations. It also operates an important foreign-exchange dealing room, open on a 24-hour basis. Its cusromers include the Abu



Bashir Tahir, general manager, Bank of Credit and Commerce.

Dhabi National Oil Company, the Abu Dhabi Investment Authority and the Ministry of Finance.

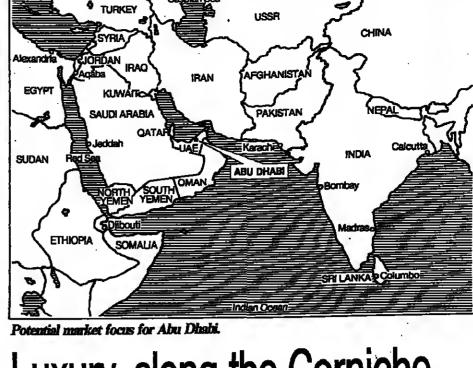
BCC (Emirates) was one of the first banks to install automatic teller machines, and has computerized online services in all its branches. Profits last year were DH 71 million, a slight decrease from 1986. But half-yearly profits this year have already shown a 30 percent increase, reflecting the changing economic di-mate in the Gulf.

Although the 40 banks in the United Arab Emirates are showing improved results — only five showed a net loss last year --- there are still too many, in spite of efforts by the Central Bank to cut down the number. Says Abdul Malik al-

Hamer, governor of the Central Bank: "We remain overbanked, when you compare the number of banks to the size of our small population [approximately 1.6 million]. The ratio is larger than in other parts of the world and other parts of the Gulf. Kuwait, for instance, like us has a relatively small population, yet its banking sector is only one-sixth the size of ours. Despite efforts made by us since 1978 the UAE is overbanked, and

What is making a difference in the UAE banking system is the rapid development of rechnology. "Such developments," comments Mr. al-Hamer, "help the efficiency of the banking ser-

that is fact."



## Luxury along the Corniche

the federal capital of the United Arab Emirates, but its Wall Street as well. It is one of the finest cities anywhere in the Gulf, with a beautiful comiche lined with palms, shrubs and fountains. Its skyline boasts many high-rise blocks, some named for the color of their glass - the Golden Tower, the Blue Tower. Numerous bank buildings line the streets, each seemingly grander than its neighbor.

Once again cranes are beginning to swing throughout the city as even more new buildings are being built along the corniche and on the main streets. After a period of construction stagnation, the real-estate market is on the move. The 23story Baniyas Tower and the Al Falah Tower are among recently completed residential blocks. Rising 90 meters (300 feet) above busy Harndan Street is the blue-glassed Al Masaood Tower, Work is well underway on the 25story Erilszar (communications) Tower which, measuring 150 meters to the top of its lightning rod, will be one of the highest structures in the emirares. New drains and services are also being installed as part of a \$92 million improvement

city from others in the area is its greenery, especially along the main thoroughfares and the airport road, which in places provides a continuous canopy of cooling green. There is said to be so much plant life in Abu

scheme.



City center: lakes, trees and greenery form a quiet oasis.

Dhabi that it has developed its own mini-climate - a few degrees cooler than the surrounding desert scrub.

Nevertheless, the desert remains the main attraction for visitors who take the overnight or one-day safaris to Liwa. This is an oasis 285 kilometers (177 miles) from the city where some of the original Bedouin tribes who later founded Abu Dhabi lived. Here can be found more than 40 varieties of date palms, farms and one of the few remaining camel markets in the United Arab Emirates. En route, the Toyota Land Cruisers plunge hundreds of meters down golden-red sand dunes to the delight of the mainly Swiss, Belgian and Austrian visitors. The tourist department of the Abu Dhabi National Hotels Company organizes these desert excursions as well as a vari ety of trips to other parts of the emirates, including

Most visitors are surprised by the high standards and excellence of the hotels

shopping excursions to Du-

Abu Dhabi has more than half a dozen top-class hotels, offering some of the finest service and facilities to be found in the region. The Sheraton is noted for its seafood night, when up to 400 diners cram the mezzanine coffee shop. People drive from as far away as Dubai, 175 kilometers away, to pay about \$30 a head for a fabulous seafood dinner.

Says Ahmed H. al-Khalifa, acting general manager of the hotel, which has been honored four times as top hotel in the Gulf: "Our seafood night is incredible. It has become so popular that we have to put extra tables in the halls and even serve diners who have to sit in some of our other restau-

Another popular eating place is the Kei, the Japanese restaurant in the Hilton, where the fixed-price menus offer some of the best values in town. And everpopular is French night at Le Meridien, with traditional cassouler and fine French cheeses flown in specially

Continued on page 17

Bin Hamoodah has always

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serve the nation, and help

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## Non-Oil Sector Development

about procedures at the airport," comments Mr. al-Nowais. "In the past there have been problems with security, but today with our computerized systems we have really become quite so-

international business center... and more

phisticated, which means we ment as a step toward forcan be more flexible."

"The Immigration Deparament is being very coop-erative," says Sayed Abdullah al-Mousawe, general manager of ADNHC. which has recently created an official Tourist Depart-

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Right in the heart of Abu Dhabi on busy Hamdan street, stands the 300 feet tall

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means business when it comes to tourism.

ADNHC has, in fact, been trailblazing in Europe for some time. It has participared regularly in events like the International Travel Market in Berlin and in indi-

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vidual promotions, sometimes in conjunction with the Abu Dhabi Chamber of Commerce and Industry. Mr. al-Mousawe admits that at first he was not excit-

ed about the idea of promoting tourism. "But I decided to go around the hotels my-self, look at the facilities and try to find out what visitors wanted. Most of them told me they came for the sun, the sand, the sea — and the shopping. And of course we could offer all this, and we have a very nice green city too, so I was convinced."

His colleague Abdullah Ali al-Saadi, deputy general manager of ADNHC, echoes his optimism in promoting courism. It has been a slow, cautious approach since Sheikh Zayed bin Sultan Al Nahyan, president of the United Arab Emirates and ruler of Abu Dhabi, gave the go-ahead in 1985. Now we are walking along the right track. As every year passes we are learning something and becoming more successful," says Mr. al-Saa-di, "and I believe we can, and will, have a successful industry." He recently returned from a three-week promotional tour around Europe, which included an Abu Dhabi Festival Week

in Frankfurt. The most significant fac-tor in Abu Dhabi's growing tourist industry is the Gulf cease-fire. "There was an almost instant response from tour operators. Their allotments rose rapidly and now malizing administration. It is the first such move anywhere in the UAE, and shows that Abu Dhabi now exceed 12,000 for the current 1988-89 season. Even if only 50 percent of these are taken up, we will have to think seriously about building another hotel," Mr. al-Saadi

Building and construction is the dynamo of the Abu Dhabi economy as the government encourages further diversification from oiland gas-related industries.

Mr. Saleh Rashed Al Dhaheri, director general of the Abu Dhabi Chamber of Commerce and Industry, says the chamber has been active in trying to attract more foreign investment to the services sector, particularly maintenance and manufactuting projects. The government has agreed to pump about \$2 billion into major infrastructure projects. Half of this will go to increasing water supplies and the rest to more electric power plants and oil-related projects. Most businessmen seem to believe that this capital injection will grease the wheels of commerce more than any other result

of the Gulf cease-fire. One of the leading banks, BCC (Emirates), sees a gradual upswing in business activity over the next two or three years. "We don't think there is going to be 2 100 percent immediate change," says a manager. "Although the government is making big efforts to increase economic diversification, the economy here really only moves on public spending," adds another BCC executive.

His Excellency Sheikh Mohammed Habtoush, managing director of the Abu Dhabi Investment Authority (ADIA), agrees that the material effects of the cease-fire will not be seen immediately. "But people feel more at ease and they are thinking carefully," he says, reflecting the prevailing view of Abu Dhabi's business community.

ADIA, which is the govemment's public investment institution, is faced with the challenge of increasing the yield on its overseas investment income. Says Sheikh Habroush: "I think that within the next 10 years our investment income will be sufficient to be able to meet our budgets."

Any additional direct income from tourism will be icing on the cake.

Lee Voysey

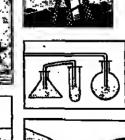
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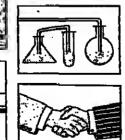














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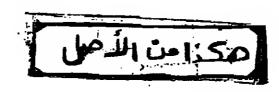
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## New Programs for Investors

bu Dhabi's overseas investments are conservatively estimated at more than \$55 billion. Most of this has been placed by the Abu Dhabi Investment Authority, known for its cautious, conservative approach. Although Abu Dhabi's extensive oil and gas reserves are second only to Saudi Arabia's, they are regarded as a very finite resource.

"Our main economy is oil, and we have had to live with this whether we like it or not," says his Excellency Mohammed Habroush, managing director of ADIA. "We are now concentrating out investments on the more traditional markets. We are trying to invest for future generations — oil will not always be there, and we have to have an alterna-

Sheikh Habroush chooses his words with care when outlining ADIA's investment policy, words of wisdom which might be applied to any long-term investment. Excessive profitmaking never enters into the

picture. "As far as our investments are concerned, we always look for a good return — it is the yield which matters to us. We invest in the world's free markets: Europe, the United States and Japan. We try to avoid all areas of suspicion — we do not want to end up having a controlling interest in companies in which we invest. We try to avoid areas of national interest, and we try to keep away from all investments which might arouse any national feeling against us. We are always looking to the long term - we do not speculate."

At the other end of the spectrum, i.e. in the private sector (but complementary to ADIA), is one of the Arab world's newest investment institutions, the National Investment and Secu-Corporation

(NISCORP). Established in Abu Dhabi, it is believed to be the only all-Arab investment house in the United Arab Emirares, and probably Explaining the role of

NISCORP, its president and chief executive, Abduljabbar al-Sayegh, says: "We are looking for the neglected investor, the person who has perhaps \$5,000 lying idle. We do not expect to see any of the traditional high networth individuals coming to us. After all, why should they? We have to prove ourselves first."

NISCORP's strategy is to offer a "one-stop brokerage and investment service." Mr. al-Sayegh identifies the "neglected investor" as the person who is often turned away by banks because the size of the potential investment is too small and proportionally too costly to

The idea for NISCORP came to Mr. al-Sayegh after he had been working for both the Abu Dhabi Investment Company and the Abu Dhabi Commercial Bank, where he was deputy managing director.

'While I was with ADIC, we used to receive a lot of inquiries from private individuals which we had to turn away because we were only really interested in public sector and corporate investors. When I moved to the bank the same thing seemed to be happening there. I decided we should do something about what I thought was a large neglected area of business.

Now NISCORP is collecting small investments from what it regards as a "niche" clientele, and looking at new products. It has

recently started a foreign currency fund, NISTAL, which will be jointly managed with Staines & Allen Investment Management S.A. of Geneva, NISCORP is trying to persuade the small investors to switch their funds from time deposits, where inflation automat-

ically crodes the small yields. Mr. al-Sayegh has been closely involved with realestate development and investment and is a firm believer in putting money into bricks and mortar. While he was working with the Abu Dhabi Investment Authority, he specialized in international real-estate manage-

He is now looking into starting a real-estate fund with a very conservative growth, to attract minimum investment of \$10,000. "We are not looking for a getrich-quick 25-30 percent," he says. Mr. al-Sayegh believes that the Abu Dhabi investor feels more comfortable with real estate than with less rangible invest-

"He wants to be able to tell his friends when he sees a new building going up, 'I have a brick in that," he explains. "I am convinced that international real estate is a very conservative investmenr — it is not so volatile and can't suddenly drop like the foreign-exchange currency markets."

Most new buildings, according to Mr. Sayegh, are now being financed by the private investors and not by the banks, "It is this liquidity which we want to channel into our funds. There can be a 14 percent return these days on any new build-

Another area under study is a Far Eastern fund, which would consist of a portfolio of new high-tech companies. Also on NISCORP's

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Abduljabbar al-Sayegh, president of NISCORP.

management team is Yasumasa Morita, executive vice president for the F2r E2st, who has spent many years in Abu Dhabi as portfolio manager with ADIA. He has specialized in the Japanese equities market for most of his career. Last September NISCORP took a 5 percent interest in Daisei Securioes, which was listed last year as the 49th biggest trader on the Tokyo Stock

Exchange.
NISCORP has an authoozed capital of DH200 million (\$54.6 million), with DH40 million paid up. It expects to increase the paidup capital to DH100 million by next March. Total funds invested to date are estimated at \$50 million.

We are looking for opportunities which will give us a yield close to an average return on any portfolio, or which will outperform the stock exchange indices," says Mr. al-Sayegh. "We, like NISCORP, are also looking at opportunites which will benefit us, like the Daisei stake, because we have a lot of Japanese business. We also want to become an 'active' investor."

As for the Far East, he adds that this is where growth over the next 10 to 15 years is going to be taking place.
"Anyone moving into

that marker now will be smiling later," concludes Mr. al-Sayegh. LV.

# Major Exhibition Site Planned

THERE is an optimistic mood in the Abu Dhabi Chamber of Commerce and Industry which, not so long ago, moved into a new tower block on Abu Dhabi's beautiful corniche.

'You can't change the past, but you can ruin a perfectly good present by worrying about the future." states a small plaque on the desk of Saleh Rashed al-Dhaheri, director general of the Chamber.

"I am glad to say that things are getting a lot clearor here now as far as the future is concerned. The government is hoping to embark on a 25-year master plan for the development of Abu Dhabi," says Mr. al-Dhaheri, "The cease-fire in the Gulf is an important factor and is giving us a



Saleh Rashed al-Dhaheri, director general, Chamber of Commerce and Industry.

chance to reappraise activities within the region. Firms which used to have active trade links here toned down their operations, but are now thinking of restarting again. There is a much better atmosphere, rather like it used to be eight or nine years ago, and we are hopeful for the future."

Saeed bin Ahmed al-Ocaiba, president of the Chamber, confitms the change in attitude in the annual report just released. He states that the previous 12 months was a period "marked by hard toil and a sure determination to diversify income resources and to down a domestic economy on more stable founda- Iraq came into operation, GCC Already there have

tions which would provide a better future."

"The year 1987 was a period of rejuvenation in most economic sectors following a period of economic recession during the past few years. Economic indices have recorded growth in both petroleum and non-petroleum sectors, and efforts aiming at creating an appropriate atmosphere for domestic and foreign investment, particularly those in productivity, continued," he

According to the Chamber's report, exports in the United Arab Emirates rose by 22.7 percent in 1987 compared to the previous year. Non-petroleum exports rose from DH 6.1 billion (\$1.69 billion) to DH 9.2 billion and petroleum exports from DH 31.7 billion to DH 37.2 billion. Abu Dhabi's sbare, which formed the major portion of oil exports, increased by 12 percent, but its non-oilrelated exports showed a substantial increase of 55.7 percent, indicating a recovery in exports and reex-

Mr. Dhaheri hopes that there will be increasing parocipation by foreign companies wanting to invest in Abu Dhabi's non-oil-related developments. "We are looking for partners to come mainly into the services sector - tourism, agriculture and food processing, general services, and maintenance," he says. "We believe there is a great future in these sectors, not only for Abu Dhabi, but for the Gulf Cooperation Council countries as a whole,"

Mr. Dhaheri believes that there has to be more cooperation over future development between the GCC countries. He advises foreign parmers: "When you come to Abu Dhabi, you should not only be thinking of the marker here in the UAE but throughout the GCC." Even before the cease-nic detween man and

The new Chamber of Commerce and Industry building that dominates part of the Corniche.

business had been picking up in Abu Dhabi. "We know this because the number of business licenses which we have issued so far this year is about 30 percent more than in 1987," he says.

The chamber has 31,400 members. Its two offices in Abu Dhabi and Al Ain recorded 1,239 oew trading licenses and 2,463 new professional licenses in 1987, noticeable increases over the previous

The Chamber is extremely active in arranging both inward and outward trade missions. Inward missions, including 15 from Europe, totaled 38 in 1987 and are running at about the same. level this year. The Chamber is also active in sponsoring seminars and conferences, and provides a wide range of backup research services for potential investors. Its reseach department is one of the most resourceful in the Gulf, providing economic and marketing information

on almost any sector.
The Chamber is planning to put Abu Dhabi on the world business map by staging a major international exhibition in the city next year. It will be the first truly international rair in the been confirmed applications from 10 countries for space at the fair, which will be held in November 1989. Applicants include countries



Juma Ahmed al-Salami deputy director general, Chamber of Commerce and Industry.

from the Far East and Southeast Asia, Europe, Africa and the Middle East.

Designs have been submitted for a new international trade and exhibition center to be built on an existing site on the city boundary. It will cover an area approximately 1 kilometer by 0.5 kilometers. As well as including permanent halls and exhibition pavilions, it will be surrounded by a recreational park with

## **New Council Streamlining**

marketing, ADNOC under-

went radical changes in its executive and management structure this summer. Its management board was dissolved and replaced by a new 11-member Petroleum Council chaired by Sheikh Khalifa bin Zayed al-Nahyan, crown prince of Abu Dhabi, Sohail F. al-Mazrui

had his appointment as act-ing general manager of AD-NOC confirmed, and became secretary-general of the new council. The role of the council, which is completely auronomous and has absolute authority in the emirate, is to plan and execute all matters relating to the petroleum industry.

ADNOC has been going through an active period of

arabization of key managerial and technical posts during the last few years. About half its employees are now emirate nationals. Training is a key part of the program.

ADNOC's personnel director, Abdulla al-Badi. wants to a see a broad spectrum of state-of-the-art training for managers and staff. He would like to see Abu

Dhabi become a focal point in the United Arab Emirates and the Gulf for training oil industry personnel

Last year 626 employecs - 422 from ADNOC and the rest from associated companies - attended courses. Nearly 100 went abroad for further training. Today more than 500 technical, business and commercial graduates have completed their training and are working through ADNOC and its many associated companies. "Their impact and contributions are being increasingly felt year after year," says Mr. al-Badi.

ADNOC heads a group of 24 associated companies involved in all aspects of the hydrocarbon industry, from oil and gas companies to refineries and shipping and fertilizer plants.

Oil on a commercial scale was first discovered and exported from Das Island 26 years ago, but ADNOC was not officially formed unol nine years later, when Abu Dhabi became part of the newly independent United Arab Emirates. Up to then it had been one of the British Trucial Oman States

ADNOC has been the driving force behind Abu Dhabi's oil development and economy - since its creation. It maintains a close relationship with its foreign partners and shareholders, which include British Petroleum, CFP-Total, Exxon, Shell, Mobil, Partex and the Japan Oil Development

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Zayed has embarked on an

ambioous upgrading pro-

gram designed to make its

facilities more attractive to

the latest generation of con-

rainer ships. The \$14 million

plan includes the conversion

of two conventional berths

into an additional container

terminal, operational by

1990. The benths will be

dredged to allow deeper-

drafted ships to discharge. In

addition, a new 40-ton ship-

to-shore gantry crane — the

port's third - is being in-

stalled at a cost of \$4 mil-

Clearly, Abu Dhabi's

dual-track policy is attract-

ing more business. Figures

for the first six months of

1988 reveal an 82.6 percent

increase in box traffic to

22,469 teus (20-foot equiva-

lent boxes) over the same

period in 1987. Says Under-

secretary Mr. al-Mansouri:

"The sharp increase reflects

the steady improvement of

# **Expanding into New Marketing Niches**

HE last two or three years have meant some tough belttightening and the development of a new generation of well-educated Abu Dhabian technocrats. Skills learned at American and British business schools and colleges have been put to the test and in most cases are paying off.

Typical of this new breed of entrepreneurs is Hussain 21-Now2is of Emirates Holdings, one of the most diversified groups in Abu Dhabi. Emirates Holdings, which is primarily an agency partner for foreign companics wanting to establish a joint venture on a 51/49 percent basis, has a wide spectrum of interests. These include Macrsk Drilling and Geophysical Services Inc., Allied Medical, Electrolux and Motherwell Bridge.

Its diversity has proved its strength during the recent changing economic pe-ood. Mr. al-Nowais, 33, began expanding Emirates Holdings in the late 1970s at a time when the major capital projects were coming to an end. Consequently he put his efforts into the service

of Commerce and India

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"A lot of consolidation has now been taking place here in Abu Dhabi. Many foreign companies have pulled out of their operaoons and, to some extent, have left a vacuum," comments Mr. 21-Nowais. With able, flexible management, he has been able to switch his interests as he identifies new market areas. He has reduced his company's activities from 18 to 13 through mergers and closures, and has slimmed his work force down to just under 2,000 from a peak of 3,000.

"We are trying to reposition ourselves. We want to deal more directly with the consumer instead of being in project-related businesses.

with products which can have too many ups and downs. We want to get into areas where we leel we shall always be needed, such as pharmaceurical and medical supplies, particularly disposable goods," explains Mr. al-Nowais, who expects a 20



Hussain al-Nowais. chairman, Emirates Holdings.

percent higher profit this year than in 1987.

As for Omar Z. al-Askari, president of United Technical Services, he sees a greater freedom of movement for investment capital than ever before as he plots a course for the future diversification of his company.

The private investor has to work on a deal-by-deal basis. The rule of the game is to be cautious, to be more diligent than in the past and to do your homework,"

Preparing the ground is something that he does well, as he switches interests from the maturing construction industry to oil services and supplies.
"Now we are in the third

stage of our development here. We have had to diversify into services and the retail market," says Mr. al-Askari, who majored in business administration at Chicago and then spent four years with Arthur Andersen before returning to Abu Dhabi in the mid-1970s.

Over the last two or three years UTS has taken advantage of the government's policy to encourage diversification in the private sector. away from oil-related indus-

"We used to be big in oil services, supplying drilling mud, chemicals and equipment. Now, for example, we've gone into consumer retailing, something which we never dreamed of in the

Oil, power generation and desalination, once the backbone of UTS's activities, have been replaced by an emphasis on services for hospitals, hotels and other large institutions.

"We provide what you might call the back-of-thenouse services' for these organizations, which is why we have a joint venture with Service Master in the United States. We do everything necessary for the smooth running of the organization - computerization, housekeeping services, materials handling and resource planning, but we do not supply professional staff." explains Mr. al-Askari. "If we are doing our job properly, we should be invisible the hidden hand behind the scene, if you like."

for UTS is air-conditioning. "The market here is pretty big. At least 55,000 room units a year need replacing, and they only last about seven years on average. This is something we are looking at closely as there is a shortage of A/C units, especially from Japan, because of the rise in the value of the yen which makes their purchase prohibitive. The three Gulf Cooperation Council factories making very good A/Cs in Saudi Arabia simply cannot meet the demand, and so the old units need more servicing to keep

them going,"

Another important area



Omar Z. al-Askari, president of United Technical Services.

UTS has had a long association with Carrier International of the United States, one of the world's leading manufacturers of air-condinoning equipment. UTS has been supplying Carrier units and products throughout Abu Dhabi since 1964, and went into a joint venture with Carrier covering the emirates in 1983. Local manufacturing of air-conditioning units is typical of the kind of operation UTS might consider for the future in conjunction with one of its principals. Like other companies that have survived the downturn in the economy, UTS is now pinpointing investment niches

both at home and abroad. The Bin Hamoodah family is one of the local families with roots in the Al Jimi area of Al Ain. Faraj bin Ali Hamoodah, who began his educacion in Abu Dhabi, continued his studies in Swansea, Wales. He returned to help his brothers Ghanim and Ahmed run the Bin Hamoodah group after the death of their father in

The Bin Hamoodah Trading and General Services Company, which roday has around 1,500 employees,

has been exploring new areas and consolidating its activities, like many other successful companies in Abu Dhabi today.

activities are related to oil power generation. The GA-SOS division provides all kinds of rechnical support for the oil industry. A manager says, however, that "there has been a shift into other areas which have more growth potential: agricultural equipment and supplies and irrigation plants." The group's main

strengths are in telecommunications equipment and computers (it is the IBM agent for Abu Dhabi); autos; protective clothing, safety equipment and accessories; and several joint manufacturing ventures (it is one of the biggest producers of plastic bags in the

The auto division sells the main General Motors range and operates one of the largest spare-parts services in the UAE, with depots in Dubai, Sharjah and Al Ain. It keeps about 50,000 lines in stock and can usually obtain most other parts from the factory within three days.

Now the company is moving into the medical supplies market. It is also supplying other Gulf Cooperation Council countries.

Bin Hamoodah is optimisoc. He anticipates an 18 percent increase in turnover compared to 1987 which, in rum, was better than 1986.

"We feel the government is getting things organized now. Businessmen here are also having to become more professional and the weaker ones have been weeded out. What has been achieved in Abu Dhabi is really remarkable when you compare it with what existed 18 years ago. We would now like to see more participation by foreign companies here," says a spokesman for Bin Hamoodah.

Port Zayed Looks For New Business About 30 percent of its

> N 12 months the change in atotude at Abu Dhabi's Port Zaved has been nothing short of dramatic. Until last year, the Port Zayed authorities seemed content to see the majority of Abu Dhabi's nongovernment cargoes enter the emirate via other

But since January all this has altered, as the government has recognized the need to get local shippers to consign freight through the port. Documentation has been simplified and handling charges cut. Under the direction of the energetic undersecretary of the Abu Dhabi Seaports Authority, Hadef Mohammed Houfan al-Mansouri, Port Zayed is now undertaking a more commercial approach to

winning new business. New rules governing the role of local shipping agents have been introduced in an effort to bring more carriers at Port Zayed, in addition to the local and international reputation it has acquired."

In terms of container handling, Port Zayed still has some ground to cover. The port is likely to handle perhaps 50,000 teu this year, while Dubai's Port Rashid is on target for 535,000 teu. Even the tiny emirate of Fujairah is expecting to top 200,000 teu.

handling and other facilities

Unlike other emirate gateways, Abu Dhabi has until now preferred to run its port without the benefit of outside expertise. All this changed this year when it signed up West Germany's Hamburg Port Consulting to step up its previously lackluster marketing efforts.

Port Zayed's quest for a higher profile in the world's shipping community has taken it to an increasing number of international exhibioons. In the meantime, Planco Consulting of the United Kingdom has a contract to analyze the port's cargo handling and other operations, the latest move in the government's plan to put the port on equal fooring with the emirates' five other major gateways.

Gary Gimson

## Corniche Luxury

Continued from page 14 from France. There is also an excellent Polynesian testaurant, and a Spanish restau-

rant is about to be opened. Le Meridien has a compact beach offering excellent water-sports facilities. The horel, with its cool white decor and arched lobby, is one of the most attractive in Abu Dhabi. Its special ambience has made it very popular with French-speaking visirors to the Gulf.

One of the newest hotels is the huge 450-room Inter-Continental at the far end of the comiche near the Central Bank. Three years ago it

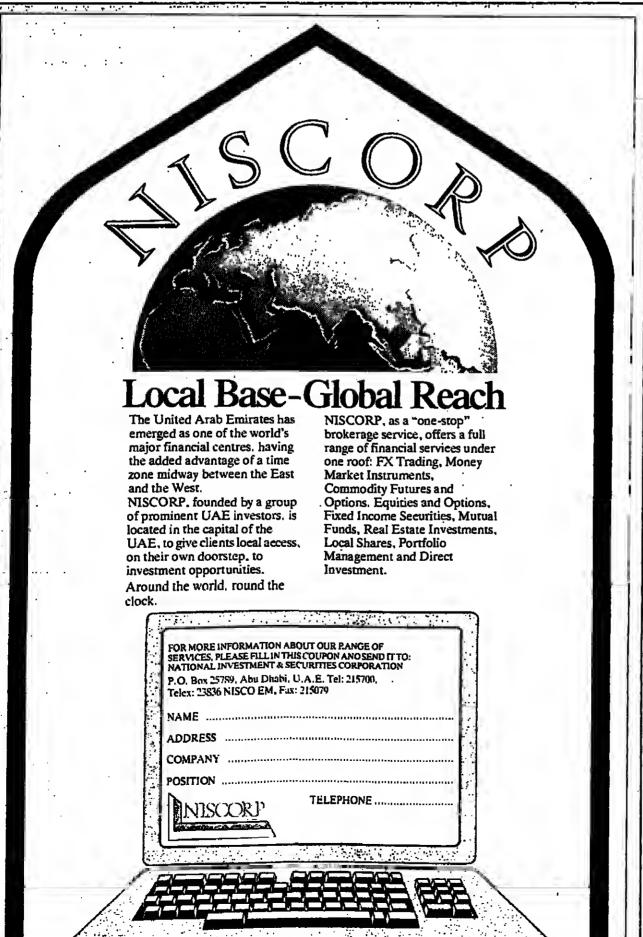
underwent a massive facelift when the Gulf Cooperaoon Council held its annual summit meeting there. With a large marina, a beach and all manner of water-sports facilities, it is more of a resort hotel than business stopover.

The Gulf Hotel, until

two years ago the Ramada, has been taken over by the ADNHC. Situated at the eastern end of Abu Dhabi island on the Channel than cuts the island off from the mainland, it has been refurbished as a beach resort hotel. A 15-minute drive from downtown, it will soon be

linked to the city by a new coast road now under construction. It offers a sheltered beach, pool, squash courts, gymnasium and the only riding stables in Abu Dhabi — ideal for an Arabian beach holiday. "This is the market we are hoping to cater to," says Adel Hallaba, executive assistant manager. "We are now a resort hotel, and top of the list for those who just want to relax, enjoy water sports and generally have a good time here. We are getting Swiss, French and even Finns." Four major European operators already list the Gulf Hotel for their package tours. They include Holiday-Maker, Jetours, NET and Time Voyageur.

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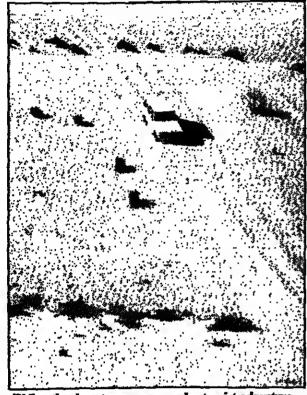
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## **National Hotels** Group Is Force in Leisure Industry

tourist department has just been formally started within the framework of the Abu Dhabi National Hotels Company. The first semiofficial body of its kind to be created in the United Arab Emirates, it signals the start

bai, and plans another in the mountains at Al Ain.

Additional oversets interests include tourist projects in Morocco, Tunisia, Turkey and North Africa. Most recently, ADNHC has escablished a company in Egypt to develop new leisure pro-



Riding the desert waves: a popular tourist adventure.

of a major campaign in the tourist sector.

The driving force behind this move is the Abu Dhabi National Hotels Company. As well as owning five of. the main hotels in Abu Dhabi, two in Al Ain and another at Jebel Dhanna, the company is also building a new hotel at Ghantout, close to the border with the neighboring emirace of Du-

jects. Other major activities involve catering for aidlines and the airport, the UAE University at Al Ain, schools, hospitals, military establisments and onshore and offshore oil drilling.

This activity was provoked by two factors: the decline of ail revenues and the drop in the number of visiting businessmen. Sayed Abdullah al-Mou-

two years. The second year was better than the first and we expect the present third season to be outstanding."

sawe, general manager of

ADNHC, says: "We have

really only been active on

the tourist front now for

The season in Abu Dhabi is from late October until March or the beginning of Ramadan, the period of the Islamic fast which is govemed by the phases of the moon. "Mass tourism" on the scale developed by Spain or Turkey is not expected, nor likely to be welcomed, and visitors are numbered in the hundreds rather than the thousands "Last year we had 1,600

visitors and we expect to at least double this figure," says Abdullah Ali al-Saadi, ADNHC deputy general manager, "They are coming from all over Europe, but mainly from the Germanspeaking countries, Belgium and France. Since the ceasefire in the Gulf, tour operatoes have doubled their allotment of rooms to in excess of 12,000 and we are expecting about 50 percent of these to be taken." Seventeen leading tour operators have signed contracts with ADNHC They include major companies like Imboltz, DSR, Kuoni, Holiday Maker Reisen, Time Voyageur

and Wind Rose Mr. al-Saadi is very optimistic about future developments because the kind of discerning visitor which he hopes will come to Abu



Le Meridien Hotel beach; tourists and banks have a place in Abu Dhabi. try in the future," says

Dhabi is seeking something different, 2 new experience. "And I believe we can offer that here. We are in some senses a very young country and nothing bas been spoiled here. We are trying to protect our natural environment and we are able to offer those visitors a look at our culture, our heritage as well as the sun, sand and sea," he says.

Visas have proved a problem in the past bur new arrangements with the cooperation of the government and the immigration depart-ment have facilitated entry to the emirate. Hotels now vouch for their bonz fide

In order to handle the



Sayed Abdullah al-Mousawe, general man-ager, ADNHC.

rising numbers, ADNHC has formed a special Tourist Department, the first of its kind in the UAE and now one the largest organization in Abu Dhahi,

This is a big step forward for us, as we shall need some kind of toutist minis-

it is proving very popular for those who want a real beach and water sports holiday."

Ali in Dubai. There a small beach by boat.



Abdullah Ali al-Saadi, deputy general manager, ADNHC

of Abu Dhabi, has become the leisure city of the emirare with a zoo, recreational parks, the Hili Fun City, an ice rink, a camel market (the only one in the UAE) and

Rapidly taking shape is

ADNHC's venture at Ghantout not far from Jebel man-made island has been carved our of the desert. It is linked to the open sea by a six-kilometer (3.72-mile) canal. There are to be 80 gooms in the hotel itself with 20 chalets on the beach. Guests will be ferried between the hotel and the

A small botel is also being built in the mountains near Al Ain which, as well as being the academic center



Comfortable shade at the Gulf Hotel.

many archeological sites and museums. ADNHC also operates 16 resthouses and motels throughout the emitare which provide all facilities for tourists on excursions, and a small "transit" hotel at the airport.

Catering is one of the most important activities of the company. It supplies more than 25 million meals a year on land, at sea, and in the air, and provides 3.5 million meals a year for the students at the university in Al Ain.

It runs all the services at Nadia Airport, including operating the award-winning duty free shops, catering 35 airlines and bringing deluxe meals to oil workers at desert locations.

One of the showpiece ca-

tering establishments is the Al Safina dhow, which was the personal craft of Sheikh Zayed bin Sultan al Nayahan, the Ruler of Abu Dhabi. It has been modified and placed on the comiche breakwater where special local recipes are served to locals and tourists alike.

With such a variety of skills and operations in the service sector it is not surprising that ADNHC should be expanding its pioneering interests into the tourist sector, which is rapidly becoming one of the most significant non-oil related industries in Abu Dhabi. It is one which can make use of virtually unlimited natural resources - the sun, the sand and the sea.

## Duty Free Shops Win Global Acclaim

UR ptices win prizes," is the slogan at Abu Dhabi Nadia Airport's duty-free shops. And it's true. In October, the second year in a row, the dury-free shopping complex received an Oscar at the Tax Free World Exhibition in Cannes. Abu Dhabi was also runner-up for the Frontier Marketing Award for the best marketing campaign of the year. this yeat are expected to exceed

Mr. al-Mousawe. The new

department is handling

most of the ground arrange-

ments for tourists including

airport pick-ups and excur-

sions that artract 60 to 70

percent of visitors. It is also

aiming to set a much higher

standard of service than has

been offered by other agen-

sonal couch," says Mr. al-

Saadi, who thinks there

might well be a need for

One and a half years ago

ADNHC rook over the

management of the Ramada

Hotel and renamed it "The

Gulf Hotel," which, Mr. al-

Saadi says, "was running in

the red but we have now

brought it into the black, as

We can offer the per-

cies in the city.

more horels.

lion), a 35 percent increase over 1987. More than 35 airlines use the airport, which handles 2,800 flights a month. The number of passengers should reach 2.8 million by the end of the year, an increase of 12 percent over 1987. But the most significant factor, points out Ku-mar Thomas, duty-free assistant manager, is the 16.5 percent increase in the number of transit passen-

DH 102 million (\$34 mil-

the total number. Abu Dhabi is an imporcant transit stop on the glob-al airline grid. For eastbound traffic it is often the last stop before the final destination, and the duty-free shops provide a final shopping oppor-

gers, who account for half

tunity for transit passengers.
"We have had significant increases in sales this last year, especially in perfumes, which have risen by 50 percent because of our increased range of brands, which number about 45 today," says Mr. Thomas.

The complex, which includes 17 shops, including two in the departures and arrivals halls, is being expanded, partly because of the changing purchasing habits of travelers.

"We find that people are not looking for bargains in liquor anymore. They want something different," com-ments Mr. Thomas. Ciga-

major new development at the airport has been the opening of a \$100 million aircraft maintenance center, one of the largest in the Middle East. Gulf Aircraft Maintenance Company (Gamoo) is a joint venture between the Abu Dhabi government and Gulf Air. Gulf Air is jointly owned by the United Arab Emirates, Bahrain,

The center covers a 55-hectare (135.9 acre) site, and the

main hangar can accommodate three Tristars simultaneously. Gameo is already doing on-line maintenance for 14 aircraft

operators. It is also carrying out all the "A" checks on Gulf Air's fleet of L1011s and B737s. Soon it hopes to be doing the

Gamco serves a pressing need for regional carriers, who had previously been ferrying their aircraft to Hong Kong and elsewhere for maintenance checks. Gameo will expand its

maintenance activities to eventually include all major manu-

facturers' aircraft: Boeing, Airbus and McDonnell Douglas.

remes and tobacco are now the most popular purchases.

Increased purchasing power by travelets is reflected in the changing stocks. The average passenger pur-chase at Abu Dhabi is about \$13.20 — 30 percent more than in 1987. Quality watches are now in greater demand Says Mr. Thomas: "People who had never thought of owning a Rolex warch will buy one here. They are very popular." The most expensive re-

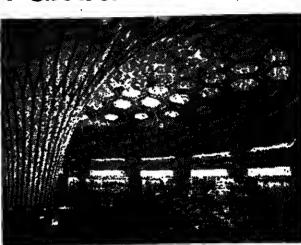
cent sale was a Cartier watch bought by a French traveler for around \$11,000. Travelers en route to the Far East, also buy a lot of gold. Sales rose 64 percent in the first half of the year, for a total of 92 kilos (202 pounds). Manufactured jewelry carries an average markup of 5 percent, making it among the best buys in Abu Dhabi.

Three new outlets are being added to the complex, which forms a circle around the inside of the airport's main hall. The fashion and leather-wear shop is being remodeled and expanded to include cosmetics. (Some of the best bargains are the \$100 leather coats and jackets, which could cost up to four times as much in a fashionable European bou-

Looking to the future, the airport plans two new transit lounges to accommodate extra traffic. There will also be a small transit hotel with 10 rooms for use by

delayed or weary travelers.

Abu Dhabi's dury-free shops have an intimate, friendly aumosphere with a staff of over 100, mainly from the Philippines. They have been specially chosen and trained, and many speak Arabic. Although its prices might win prizes for Abu Dhabi, the smiling and cheerful staff certainly wins customers. And that's what really counts.



Abu Dhabi Duty Free Shop at the international airport.

# **Emirates Holdings**

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## On the Track, in the Gym, the Steroid Black Market's Booming

By Peter Alfano With Michael Janofsky New York Times Service

NEW YORK - The spoils of a little known drug war lay on a table in the office of Phillip Halpern, a U.S. attorney in San Diego. There were bottles, vials and a syringe, al filled with anabolic steroids, confiscated by federal autherities during arrests in steroid-trafficking cases.

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THINK

NEVER HAR ON TOMATO FORE

U.S.

Halpern's collection has been growing, but not as fast as the steroid black market in the United States, which, federal law-enforcement officials conservatively estimate, now exceeds \$100 million a year. The result: steroids are

now exceeds 5100 minuon a year. The result: Steroids are expedity becoming as easy to obtain as aspirin.

Unlike aspirin, however, they aren't sold over a pharmacy counter, their sale or purchase without a prescription is illegal and they are legitimately prescribed only for certain imusual medical conditions. But, they are readily available at almost any firmess center or body-building gym.

Athletes and body builders use steroids, which are

believed to enhance muscle growth, to try to gain an unfair edge in strength, stamma and speed in competition. This is why the substances are banned by the International Olympic Committee and most other sports governing bodies.
Pins, although there is only limited clinical evidence, many
doctors warn that prolonged use might cause cancer, heart
disease, hypertension, high cholesterol or sterility.

Despite the perception that athletes are the primary users of steroids, law-enforcement officials say athletes might account for only 10 percent of all users. Traffickers agree, "The majority of steroids are consumed by individuals who are concerned by how they look: factory workers, lawyers, policeman and fireman," Halpern said in a recent

nterview. "There is a smaller market in kids."

The short and energetic Halpern, 35, may be the most appressive prosecutor of steroid-trafficking rings in the Unitsecuted 151 such cases. He wishes he could do more. "I want to be optimistic," Halpern said, "Realistically, I want to believe that with increased public awareness and penalties, there will be less use of steroids."

Authorities say, however, that they can now barely keep up with suppliers because the steroid communication and distribution network is extremely sophisticated and geo-graphically widespread. Illegal steroids are available in nearly all large population centers and most small towns in the United States. "We can do a bust on one coast and, within hours, it is known everywhere in the country," said a federal investigator familiar with steroid-trafficking cases, who asked that his name not be used. traffickers say that perhaps 95 percent of the black-market steroids are counterfeit - those manufactured in unlicensed laboratories - and this greatly increases the potential risks for users.

The authorities say that the major distribution points for the black-market drugs are the body-building gyms and the fitness centers, where steroids can be bought or where, at the least, a connection can be made for a purchase.

"The extent of the black-market consumer is male. between 18 and 30, insecure, seeking acclaim and re-

Second in a series

wards," said David Jenkins, a former British Olympic sprinter who was indicted by Halpern in May 1986 and now is awaiting sentencing. "They come from a gym environment, where a muscle mentality pervades and creates a demand for bigger bench-presses, bigger squats. But they would rather not take a long-term approach. They want steroid McDonald's."

Doug Casey, a former body builder, who owned a gym in Portland, Oregon, said, referring to steroids: "I got them from people in the weight-lifting community. I saw people spending little time in the gym and making great gains.

heard the stuff was bad for you but getting results."

Ingesting steroids aloue does not build muscles, according in medical evidence, but must be in conjunction with exercise. Casey, now a physical therapist and an outspoken crive of steroid use, said he took the drugs because " was into bench-pressing, and the better I could do, the better it was for my gym business."

The U.S. government investigator said that there is not enough money or manpower available to the Food and Drug Administration, the FBI or state law-enforcement agencies in police gyms with undercover agents. Because prosecution of steroid trafficking still has a low priority compared to cocaine and heroin cases, Halpern said his superiors would prefer be concentrate his efforts on what they perceive as more pressing matters.

But, he said, despite limited resources, progress was being made. He pointed out that, before 1984, no one had ever prosecuted a steroid case at any level of U.S. government.

"I figure that, now, I've indicted 60 nr 70 people and charged about 100 more," Halpern said. "I started this about two or three years ago. You could have literally made millions in steroid trafficking then because no one

The drugs are coming into the United States from Europe. South America and Mexico. In addition, officials estimate that anywhere from 5 in 20 clandestine laboratories in the United States are in operation. They and steroids

was investigating it. I think we've made it clear that trafficking is illegal. Five years ago, no one knew that."

Five years ago, the U.S. government was unaware of the extent of steroid use in the country. Penalties for trafficking were not clearly defined and the penalties that existed were relatively minor compared in those for dealing cocaine and

heroin. Thus, steroid dealers were willing to take chances. "A lot of European steroids were just being mailed in." said Dan Duchaine, who wrote "The Underground Ste-roid Handbook." He was indicted by Halpern with Jenkins and 32 others in May 1986 as part of a steroidtrafficking ring that operated in Southern California and distributed the drugs in California and six other states.

In addition, said Duchaine, who is awaiting sentencing

on one count of conspiracy to defraud the federal government and one count of interstate sale of the anabolic steroid Dianabol, some European athletes who came in train in Southern California financed their trips by bringing along steroids to sell. He said the only time mailing became more dangerous was during the Christmas season, when customs agents were more diligent.

Last month, Congress passed the Omnibus Anti-Sub-stance Abuse Act. The new law, which was to be signed Friday by President Ronald Reagan, will upgrade trafficking from a one-year misdemeanur to a three-year feluny, doubled when the steroids are sold to minors. It also includes a maximum fine of \$25,000. The irony, Halpern said, is that successfully prosecuting the so-called amateurs, like Jenkins and Duchaine, has opened the door in a more sinister criminal element - cocaine and heroin dealers - who know there is money in be made in steroids.

In the cases Halpern has prosecuted, as well as one in Los Angeles and another in San Jose, California, many of the defendants were body builders, former athletes and selfeducated steroid experts. They are known as "the nice guys" in law-enforcement officials. The nice guys said their motives were making a profit and helping athletes achieve success. "They thought they were doing a service," the federal government investigator said. "These new people are only in it for the buck. They don't give a damm about He cited other instances when the illegal-drug user was anything else. There's all sorts of garbage out there."

"Most people are astonished about bnw much money is involved," he added. "They've found gym bags with \$170,000 in them. Clearly, I think the demand is rising." The U.S. demand for counterfeit steroids increased over the last decade as the FDA determined that generic steroids manufactured by pharmaceutical companies were of decreasing value to the medical community and limited their production. In the early 1980s, traffickers say, a consider-

The black-market user 'is male, between 18 and 30. insecure. seeking acclaim and rewards. They come from a gym environment, where a muscle mentality pervades and creates a demand for bigger bench-presses, bigger squats. But they would rather not take a long-term approach. They want steroid McDonald's."

-David Jenkins, former British Olympic sprinter,



illegally diverted from these companies. But with demand increasing and supply dwindling, unlicensed labs began to flourish, trying to duplicate steroids like Dianabol, the drug of choice among athletes and body builders. Counterfeit steroids, however, are frequently adulterated and mislabeled; a bottle may contain a steroid other than that listed, or the potency may be below the stated amount. Halpern said he also knows of two instances when steroid syringe

were contaminated, resulting in the transmission of AIDS. He said he knew of three secret labs making steroids in the United States, in Missouri, Florida and Washington. The federal investigator said that when officials close down one lab, another invariably takes its place. One of the larger current operations is believed in be in Colorado, at a site officials would not identify. They say it is extremely wellfinanced leading them in suspect organized crime is involved.

Duchaine, who knnws of the operation only second-hand, called it "sliek and intally unethical," adding that

"the trouble is that not only are the steroids weaker, some

a victim of fraud. "For example, there was a monkeygrowth hormone coming out of Florida that was really vitamin B-12," he said. "Two bucks and they were selling it for \$150 a bottle."

In another case, being prosecuted in San Jose, five persons were indicted for distributing steroids that they labeled as made in East Germany, but that actually were manufactured elandestinely in the United States. They were exploiting a rumor in the steroid underground that

it more potent. Supposedly, the drug was forbidden in be shipped out of East Germany, but that did not prevent the San Jose ring from passing off theirs as the real thing.

Not all counterfeit drugs are poor imitations, said Duchaine. He claimed that the Dianabol his group was

selling in 1986, when the FDA took it off the market, was made in a laboratory in Tijuana — in Mexico, anabolic steroids can be sold over-the-counter - and was of first rate quality.

It cost about \$1.45 to make a bottle containing 100 tablets of Dianabol. The trafficking ring initially sold them for approximately \$5 a bottle.

The laboratory in Tijuana, Laboratorios Milanos, was run by Juan Javier Macklis. He was named in the indict-men) with Jenkins and Duchaine, but can be arrested by U.S. authorities only if he enters the country. He also ran advertisements in major newspapers in southern California. encouraging Americans to cross the border in purchase steroids. It is illegal to bring the drugs into the United States, but Macklis left that problem to the ingenuity of the consumer. The shipments smuggled into the United States by the ring were hidden in automobiles or carried across couriers, who used routes favored by illegal aliens.

An informant eventually enabled customs agents and 11 nther federal authorities in crack the ring. Still, lawenforcement officials say, the answer to ending steroid use is eliminating demand rather than supply. Halpern said this might be possible because steroid users are generally health-conscious and fitness-priented. They would stop using the drug if ennvinced it was harmful, be said.

"As a prosecutor, I feel we are losing the war on drugs," Halpern said. "But I dnn't feel that way about steroids." able amount of steroids on the black market were those the East Germans had improved a certain steroid, making think we have a chance in stop people from using them."

#### New Coach, New Hope and a half year; For Lions

By Thomas George New York Times Service NEW YORK -Less than a week on the job as interim coach of the expelled from Detroit Lions of the National Football League, Wayne Fornes has managed to enliven spirits and crenpatible with the Thursday, usage ate an atmosphere of hope that Dar-

#### NFL PREVIEW

dered out as he ryl Rogers could not in four seasons, fied expulsions: People close to the team, includwood Ranka is ing Ross Thomas, the general man-pelled becase it ager, said the mood had changed s with the mire noticeably. But Sunday against the Green Bay Packers in Milwaukee, Finites must do what is required of all coaches and what Al Davis offers as sound advice: "Just win, baby." Fontes, the former defensive co-

shed with the pr ordinator, took over Monday a team hun- hun law that is 2-9 after a three game losing streak and ranks last in offense in the NFL. So, he is making changes. 'He wants more motion, more ovement, more misdirection. The Lions had relied on slow-

developing plays that Rngers boped took advantage of their size and strength. But as Fontes noted, have followed a team can run the same play 12 ket prices or times and each time give the deidustry to a fense a different look.

It helps Fontes that his first game is against the Packers, also 2-9 and struggling under a first-year coach, Lindy Infante. It belps that



HELLO, UPSET — Gumar Eggen gave a wave as Sugarcane Hanover of Norway State Park in Cherry Hill, New Jersey. Ourasi, the French champion, was second won the \$600,000 March of Dimes Invitational Trot on Thursday night at Carden with Mack Lobell of the United States, the world record holder, third on the rail.

Vegas odds-makers rate the Packers as 4-point favorites.

NATIONAL CONFERENCE Philadelphia (6-5) at New York Giants (7-4): The four-team race in the National Conference East will become a confusing scrap if the Eagles win. It is possible that, after Monday night, these teams, plus Washington and Phoenix will be tied for first with 7-5 records with four games left. The Giants need a

Fontes. But winning the first one fense ranks 23d in the NFL, 25th sinking, hoping a quarterback would help Fontes even more. Las against the pass. Gianus by 3. change — Pai Ryan for Ken O'Bri-

Chicago (9-2) at Tampa Bay (3-8): — The Bears have won 11 straight against the Bucs, and there's no reason to think No. 12 isn't due. Mike Tornczak, who starts again is 13-2 as a starter, 5-0 against Tampa Bay. The Bears have the league's best rushing defense; the Bucs rank 22d in rushing offense. Bears by 7.

AMERICAN CONFERENCE New York Jets (5-5-1) at Buffalo (10-1): The Bills can clinch their beroie defensive effort against first American Conference East title the Lion players like and respect Randall Cunningham, but their desince 1980, while the Jets are near

en - bolsters the offense. The Jets have won five straight in Rich Stadium but these Bills have lost only to the Bears and have a defense ranked No. 1 in the AFC overall and Nn. 1 against the run. Bills by 7.

5): The Browns' 30-7 pasting by Denver last week might have been enough to crase any chance they had of defending their Central Di-vision crown. The Steelers and Chuck Noll undnubtedly bave known that feeling for several seasons. Browns by 81/2.

1): Just when the Scahawks need a big win - boom! - they club the Broncos in Denver, the Browns in Cleveland and Houston at home. But, just when they seem over the bump - splat! - they lose to lowly gainst the run. Bills by 7. San Diego. And, the home team Pittsburgh (2-9) at Cleveland (6-has won in this series for the past 12

games. Seahawks by 2. New England (6-5) at Miami (5-6): This game features a team on the rise, the Patrints, against one that finds its defense has not made the progress expected. Further, who can figure the Miami offense? Dan Marino is getting ample time to

Seattle (6-5) at Kansas City (2-8- pass but the Dolphins are not scoring points, and they rank last in the league in rushing. Dolphins by 3.

INTERCONFERENCE Denver (6-5) at New Orleans (8-3): Juhn Elway fires missiles; Bobby Hebert tosses darts. But Hebert throws with precision, although Elway now may be finding his touch. The Saints' defense hits much harder and more often than the Broncos' Both teams are fighting to remain atop their divisions. Saints by 5.

Indianapolis (6-5) at Minnesota (7-4): The Vikings are again quietly peaking at the end of the season. having replaced the Bears as the NFL's top defense overall, (No. 4 against the rush, Nn. 3 against the pass). It has not allowed a back to rusb for 100 yards in 34 consecutive games but faces Erie Dickerson, the NFL's leading rusher with

1,165 yards. Vikings by 41/2. Cincinnati (8-3) at Dallas (2-9): The Cowboys, who have fallen apart all season, face a team very talented offensively. Bengals by 4½.

Phoenix (7-4) at Houston (7-4):

The Cardinals, with Cliff Stoudt subbing for the injured Neil Lomax (knee), must beat a team that plays well at home (the Oilers are 5-0 in the Astrodome this season) and has the running game in keep the ball for long drives. Oilers by 514.

San Diego (3-8) at Los Angeles Rams (7-4): These teams have not met since 1979, when the Chargers won by 40-16. If San Diego, which has a league-low 129 points, scores 40 against these Rams, their coach. John Robinson, will demand an investigation. Rams by 11. Adanta (3-8) at Los Angeles

Raiders (6-5): The Raiders must win to keep pace in the right AFC West If the defense continues to play as it has -it has allowed only two field goals in two games - the Falcons will oblige. Raiders by 814. MONDAY NIGHT

Washington (6-5) at San Francisco (6-5): The 49ers are in an offensive slump, the Redskins beset by injuries. Although all is not lost for either, since with five games left each still can win its division and both are wild-card contenders, this game will likely break the loser's back. 49ers by 31/2.

#### Free Agents Bids Soar in Baseball

Bruce Hurst, Steve Sax, Mike Mnnre and Nolan Ryan were among those offered considerably more than they earned last season. Tommy Herr, bowever, turned

down a \$1.8 million, two-year contract from the World Series champion Los Angeles Dodgers to sign a \$1.65 million, two-year deal with the Philadelphia Phillies, who had obtained him in a trade from the Minnesota Twins after the season.

Team owners, found guilty of ed a sysagement's Player Relations Commethod of exchanging information is allowed under the collective-bar-

uninn of any offers registered. This ing of an offer.

the Dodgers for two years with an option year that, if exercised, would have raised the amount to \$3.2 million over three years.

Los Angeles now is offering a three-year pact for \$3.5 million. Pittsburgh and Texas have offered Sax three-year deals at \$3 million.

Ryan, the leading strikenut pitcher in major-league history, has been offered a \$1.2 million contract by California. He made \$1.2 million last season with Houston and, a management source said, the Astros would raise their current offer of \$1 million.

Hurst, the left-hander who was 18-6 for Boston, has been affered a three-year contract by San Diego for \$4.9 millinn. The Red Sox beconspiring against free agents for gan negotiations with a two-year tem of registering offers with man- year at \$1.4 million, according to an agent who, while not involved in mittee. The clubs believe that this the discussions, learned of the details. Hurst made \$900,000 in 1988.

Moore, 9-15 in 1988 for Seattle, bas been offered a two-year con-Arbitrator George Nicolati ruled tract by San Diego for \$2.65 millast week that the PRC must tell the lion. He made \$481,950 in 1988. "There are a lot of people out

week, the PRC agreed to telephone there interested in these players, and we have a tough fight ahead. but we are making the effort," said Sax has been offered a three-year Dick Freeman, the Padres' acting

movement in the market was inevitable. "It's nnt strange," he said. "It's part of a well-disciplined own-

#### **SCOREBOARD**

# HOCKEY WALES CONFERENCE Adama Division 10 5 3 9 5 5 8 10 2 CAMPBELL CONFENENCE BASKETBALL A Standings EASTERN CONFERENCE

TRANSITION THURSDAY'S RESULTS

Philodelphia 1 6–1 Federko 2 (41, Pasiowski 17): Eklund (21, Shots on soot: St. Louis (an Hextalii 5-3-8-14; Philodelphia (an Riendeaut 8-43-15, Caleary 2 1 2–5 New Jersey 9 1 2–3 Nieuwendyk (11), Maciamis (51, Otto 13), Loob (VI, Hrdina (12); Verbeek (61, Sundstrom 17), Multer (81, Shots on seat: Caleary (an Burkej 13-18-8-31; New Jersey (an Versent 4-12-4-24)

Minnesate

Martin III. Horrsburg 121. Geoner (13).
Gooner 1141. Ciccprehi 3 112; Skrike 111).
Bradiev 151. Gay 111. Linden 3 171. Shots en ead: Vancouver (on Cassev, Takkos 11-19-20; Minnesota (an McLean) 16-22-14-52.
Montreal

1 2 2-5
Boston

5 9 8-2
Smith 131, Martinson (1), McPhae 2 171.
Keene 151: Neely 181. Thelven (2). Shets on sead: Montreal (on Lemelin) 7-14-19-31; Boston (on Heyward) 9-44-19.

New York . 9 3 3-4

Les Angeles
DeBiols (21. Sandstrom ISI. Granato 1101.
Kisla 2 (a), Multien (a): Durguay (2), Nicholis 2
(21), Fennon (21. DeGray (2). Shots an soci:
New York (an Hearly) 5-16-12—38: Los Angeles (an Vanblesbröuck) 12-11-11—34.

20 30 23 34-107

24 25 12 73- 93

11-1947 28. Pressey 9-171-121. Rebounds; N.J. 58 I B.Williams 151, Milwaukee 47 (Sikma 10). Assists: N.J. 19 (Basiev SI, Milwaukee 27 Hopstee Dictions 9: 22 26-14
Claimon 9:12 (1:-1) 29, Bushnson 6:175-92 1;
Gray 5-9 9:1 19, Toylor 6:12 6-8 18, Rehounds:
Marmi 51 (Gray 8), Nouston 66 (Therpe,
Dictions 141, Assists: Micral 23 (Washington
14), Martin 24 (5) A), Houston 19 (Floyd 9). Aguirre 18-20 4-9 26, Harper 3-11 4-4 21; Tri-pucko 3-11 9-9 15, Hollon 5-16 3-3 14, Rebeseds: Q. 1,000 .800 .3\4

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Characte 52 (Rambis 191, Dallas 54 (Perkins 131, Assists: Charlotte 28 (Green 6), Dallas 24 WESTERN CONFERENCE Schoves 12-15 7-9 31, Adoms 7-13 9-19 25; Dewkins 11-15 1-1 23, Robertson 7-14 3-4 17, Davikins 15.A. 35 (Greenwood, W.AIRID A-Davikins 4L Denver 63 IShoyes 14), Assists: S.A. 29 (Davikins 8), Denver 32 (Adoms 5), Portland 15 22 34 24 - 79 32 22 36 39-123 5 3 .625 -Uteh 32 22 36 31-12 Grillin 13-18 11-12 40, Melone 3-13 13-10 29:

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BASEBALL

BASEBALL
BALTIMORE—Bought confronts of Lee
Gerner, third bosemon, and Rafal Skeete, ourlielder, from Charlotte, Southern Leopee. Acoutrad Chris Holles, catcher, and Crear Meile,
pliciter, from Detroit to complete Aug. 31
trade for Fred Lynn.
CLEVELAND—Named Jim Dovenport
third-base coach and infield instructor.
NEW YORK—Stoned Don Schulze, pitcher.
Acoulyed Brion Dorseti, catcher, from Collionile for Eric Schmidt, pitcher, and assigned
thm to Catembus. International Leopue.

him to Coumbus, international League.
SEATTLE—Named Mike Paul pilching
coach, Bob Didler third-base coach and Rusty

coach, Bob Didler third-base coach and Rusty Kuntz Ints-base coach.

TEXAS—Boueht contract of Dave Pavias, pitcher, Added John Bartleid and Rick Raether, pitchers; Dean Poinser and Rev Sanchez, intietiders, and Juan Genzales and Sam Sosa, outfleiders, to 40-man roster.

Attanta—Bought contracts of Dave Allier, pitcher, and Barry Japes, outfleider, from Righmand, international League Bought Contracts of Kent Mercher, Andy Newbelt.

contracts of Kent Mercher, Andy Nezelek allichers: Brion Deak, catcher; Drew Detaon and Ed Whited, inflatiers, and Dennis Hood, outtleider, from Greenville, Southern Leogue. CHICAGO—Sought contracts of Gree Smith. Second basement from lawa, American Association, Sent Len Domian, pitcher, and Angel Solazar, shortstep, outright to lawe. HOUSTON—Walved Jim Pankovits and Craig Smalatric, infletders, and Tv Goiney.

Craig Smalaria, inficitors, and Ty Goiney, outlielder, to give them their unconditional releases. Added Eric Antheny and Karl Rhodes, outlielders; Raul Eusable, carder, and Biotec tisleys, Cheriev Kerietil, Som August and Fred Castella, ditchers, to 80-man roster. PHILADELPHIA—Signed Tommy Harr, second baseman, in two-year contract. PTTTSBURGH—Named Elmar Gray adtrator of baseball operations

SAN FRANCISCO—Bought controcts of Kerl aest. John Burkett and Stu Tatem elicters-from Phoenix, Pacific Coast Leopue. Bought contract at Paul McCiellan, attcher; Andre Sontono, shortston, and Jose Sontono, catch-er, from Shreveport, Texas Leopue, Bought contracts of Doug Roberston and Russ Swan, pitchers, from San Jase, California League. BASKETBALL offenel Besketbell Asseciation

CHICAGO-Walved David Wood, forward. FOOTBALL National Football League M.Y. GIANTS—Waived Andy Headen, line-SAN DIEGO—Signed Stave DeLine, place-HOCKEY Notional Hockey League
CALGARY—Sent Stu Grimago, left wing, to
Soft Lake City, International Hockey League,
NEW JERSEY—Called up Paul Yszboert,

scraft, delensamon, from Utica, American PITTSBURGH—Sent Steve Guenette, gootlander, lo Muskeson, IHL, CDLLESE SAN DIEGO STATE-Fired Denny Stolz,

center: Al Stewort, left wing, and Jamie Hu

#### **SIDELINES**

#### Bird to Have Surgery, Miss 3 Months

BROOKLINE, Massachusetts (AP) — Larry Bird is to have surgery to remove bone spurs on both beels and is expected to be unable to play again for the struggling Boston Celtics for at least three months. The NBA team made the announcement late Thursday after Bird sought a medical opinion from a doctor unaffiliated with the club. The bone spurs have created severe pain in both of Bird's Achilles' tendons since the start of training camp.

The Celtics said the surgery would be done by Dr. Roger Mann and Dr. Arnold Scheller, the team physician, at New England Baptist Hospital in Bosinn. The operation is expected to be performed as soon as the doctors and the hospital can work it into their schedules.

#### Graf Wins Despite Flu but Evert Loses

NEW YORK (NYT) — Steffi Graf, playing against the advice of the physician treating her for flu, had no difficulty Thursday night chiminating Manuela Maleeva in the quarterfinals of the Virginia Slims Championships at Madison Square Garden. The world's top-ranked women's tennis player beat the seventh-seeded Maleeva, 6-1, 6-3. But Chris Evert, although healthy, could not withstand the determined

#### attack by Pam Shriver in the other quarterfinal and was beaten, 7-5, 6-4. 2 Boxers Failed Las Vegas Drug Tests

LAS VEGAS (AP) — Robert Hines tested positive for the painkilling drug lidocaine after winning the International Boxing Federation junior middleweight title Nov. 4 from Matthew Hilton, officials of the Nevada State Athletic Commission said Thursday,

Another fighter on the card, James Kinchen, also testified positive for

lidocaine after losing his 12-round fight to Thomas Hearns, officials said. They said the commission has tentatively set a Dec. 16 hearing to decide what action, if any, to take against Hines and Kinchen.

#### Swiss-Turk Soccer Replay Ordered

ZURICH, Switzerland (AFP) - The UEFA disciplinary committee ordered Friday that the European Champions second-round, second-leg soccer match between Galatasary of Turkey and Neutchatel Xamax of Switzerland be replayed at a neutral site. No date was set.

Xamax, after winning the first-leg match by 3-0, was routed by 5-0 in the Nov. 9 match in Turkey, to lose by 5-3 on aggregate. The Swiss protested that Turkish speciators had thrown objects onto the pitch and that rowdy fans had caused a disturbance at the team's hotel the night before.

#### For the Record

John Mahaffey and Bob Gilder each shot eight-under-par 64 Thursday for the second-round lead in the Isuzu Kapalua International golf tournament, four strokes ahead of first-round leader Bill Glasson. (UPI)

#### Ouotable

 Spud Webb of the NBA Atlanta Hawks, asked when to expect his ghost-written autobiography, due out this season: "I don't know. It might be out already. I haven't read it yet." (LAT)

# NEW YORK - Baseball's free-

agent market, mostly quiet for three years, opened up dramatically Thursday with clubs publicly and privately offering multimillion-dollar contracts to several players.

gaining agreement

contract for \$3.2 million by the president. New Ynrk Yankees, according to a source with knowledge of the negotiations. Sax, who made \$838,182 in 1988, twn weeks ago turned down a \$2.1 millinn contract from ership group."

One agent said that the sudden

#### **Health Officials Consider Delay in USC-UCLA Game**

Los Angeles Times Service LOS ANGELES — Fears that Saturday's USC-UCLA football game at the Rose Bowl could add to a measles outbreak that already has sickened USC's star quarterback. Rodney Peese, and at least 40 other students led some public health officials to consider Thursday urging that the game be postponed. Mea-sles is one of the most easily trans-

Dr. Stephen Waterman, chief of adult communicable disease control for the Los Angeles County Department of Health Services, said county health officials had considered suggesting a postponement of the game but decided not to because "we really thought it would be unrealistic" in view of the intense rivalry and the fact that as many as 100,000 spectators are expected.

mitted of all diseases.

But Dr. Lawrence Ross, an infectious disease-control specialist at Children's Hospital in Los Angeles, said that because of the risk of disease transmission among spectators, the infection of more members of the USC football team and the potential risk to its UCLA opponent, a two-week postponement of the game would be appropriate.

interests of everyone, the fans, the players, everyone," said Ross.

USC has established a special measles vaccination program, and the university was in sponsor a four-hour immunization drive Friday. UCLA said it, too, would offer students measles immunizations Friday, Saturday and Monday, Immunization is effective if it is given before nr any time up to 72 hours after contact with the virus, according to doctors.

But public health experts agreed that many at the game may be young people in their teens through about age 30, as many as 10 percent to 20 percent of whom are unprotected against the disease because they were never vaccinated.

Peete, who was released Thursday from a hospital and watched his team practice for the pivotal game against UCLA, said, "I'm feeling much better, even better than yesterday."

USC's coach. Larry Smith, said Peete's "status is still uncertain for Saturday. He was strong enough to check out. He's eating solids now. We felt he'd get better rest out of the hospital now. It could be right up to game time before we decide if "I think it would be in the best he plays."

## It's Often Said That Cricket's Confusing

HOBART, Australia - A Pakistani cricketer finally turned up Friday in Tasmania, just one mouth late for his first match because his travel agent had sent him to Tanzania instead. The victim of the mix-up, Mati Khan, said he

realized something was amiss when he found him-self in the Djibouti city of Obock, which his travel agent apparently had confused with Hobart, capital of this Australian island state. "I told the captain of the Air Tanzania aircraft

in Obock that we have gone wrong here," said Khan, who had signed with Launceston's Old Scotch cricket club.

flight." Khan said. As a result, be had to spend four days in Tanzania before returning to Pakistan for a second attempt to get to Hubart.

"But the captain told me to remain on the

Khan said be was "not happy" with his travel agent, especially since his roundabout route had cost him an extra \$1,530.

#### **POSTCARD**

#### Kids Hooked on Art

By Grace Glueck New York Times Service

N EW YORK — "It's about an outsider, a guy who doesn't fit on the block or something. He falls in love with this girl who rejects him because he's too weird, he's too much of a nerd. And so, in sadness, he walks in the night, and as he walks the snow starts falling gently.

very gently."
Tim Rollins, 33, artist and teacher, is telling the story of Franz binding and pasted down on can-Schubert's song cycle "Winter- vas, the composition consists of reise" to a group of youngsters who will make paintings about it. They are the "Kids of Survival," as Rollins calls them, a group of Hispanic teen-agers in the South Bronx ranging in age from 14 to 18, many of em with emotional and learning problems. But art has become their preoccupation and their pride.

Their painting-colleges based on literary classics — done under the rubric of "Tim Rollins + KOS" have not gone unnoticed in the international art world. A SoHo dealer, Jay Gorney, who handles the work, has sold individual pieces for as much as \$30,000 to such buyers as Charles Saatchi, the London colector, and several major museums. Last summer the paintings were on view at the Venice Biennale and at Rosc, the international festival of contemporary art in Dublin. KOS is preparing for exhibitions next month in Düsseldorf and Madrid.

The money earned by the group pays salaries and stipends to the teen-agers and Rollins and allows for trips abroad. It will also help establish a school, the South Broax Academy of Art, that - running on a "shoestring budget" - will work with youngsters in the same close collaborative mode Rollins

FOR THE last seven years, the youngsters — about 15 of them have been working with Rollins between and after school hours, first at Intermediate School 52, where he was teaching, and now at the noo-profit Art and Knowledge Workshop he set up three years ago. There they have been involved with projects like "The Scarlet Let-"Moby-Dick," "Alice in Wonderland" and "A Journal of the

Plague Year."
Mark Rosenthal, curator of 20th-century painting at the Phila-delphia Museum, probably the first museum to buy a painting by the group, said: "I find their work very

touching, very emotional and visually interesting. It may at times be too close to the tradition of Surrealism, but it's powerful and quite contemporary."

The museum owns — as does the Museum of Modern Art - a version of the group's most popular piece, which is based on Franz Kaf-ka's "Amerika." Done directly on the pages of a copy of the Kafka work, which are detached from the vas, the composition consists of individual images of musical horns in gold paint jubilantly orchestrat-ed into a skeinlike arrangement.

Rollins, who grew up in a closeknit working-class family in Pitts-field, Mainc, feels that his background has helped him relate to "the struggles of the kids' families."

"My job is to promote structure and discipline in the kids' lives," he said, "and give them the training to use their talents toward something positive and socially responsible. I oppose the idea of the graffiti movement, which is totally irre-

ONE BIG success story has been that of Carlos Rivera, known to the group as Carlito. At 11, Carlito was classified as learning-dis-abled and enrolled in a special education program at IS52. Considered an intractable behavior problem, he calmed down in Rol-lins's art class. From a pile of art books on a table, he picked a monograph on Mathias Grunewald that had a color illustration of Grunewald's mysterious and deeply religious masterwork, the Isenheim

"I assigned him to copy a panel of monsters from a part of the al-tarpiece that deals with the Temp-tation of St. Anthony," Rollins said. "He did it with amazing skill on a wood panel in acrylic, proving not only to me and the rest of the faculty but to himself that he had real artistic gifts."

Today, though Carlito still has trouble reading, he is one of the KOS superstars. For his 17th birthday last Appust, he was taken by Rollins to see the Isenheim Altarpiece in Colmar, France. "I was in shock," Carlito said. "It was like something that just hit me. I never thought in my lifetime I'd get to see it except in books. I was so happy that I felt like crying."

## The Battle for Andrei Sakharov's Time

By Gary Lee Washington Post Service WASHINGTON — Ever since Andrei Sakharov, 67, stepped off a Moscow-to-Boston flight Nov. 6, stared at the army of American reporters and said, "By my watch, it's time for bed," a battle has broken out over his social schedule. And it is fierce. Here's how fierce:

In New York, the Academy of Sciences had originally snagged Sakharov for a lunch, but at the last minute was edged out by Random House, publisher of Sakharov's memoirs. The scientists had to settle for a cocktail hour, which ended up being 45 minutes
— 35 of which were taken up with six introductory speeches.

At times, it got even fiercer. While visiting New York, Sakharov was swooped up by his friend Edward Klein and showed up late for a meeting with the Random House publisher Robert Bernstein, who also heads the Helsinki Watch Commission.

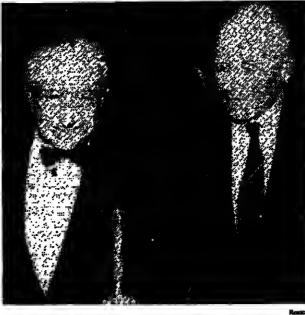
The next day, shortly after the Sakharov entourage jetted into Washingtoo, Sakharov was snatched from Klein's hotel room by Bernstein and his son, Peter, publisher of U.S. News & World

Everybody who knows Sakharov is very jealous of his time and gets testy when someone else gets five minutes more with him then he had," said a friend who has been closely involved in organiz-ing the Sakharov schedule. "You would think he was the pope or the Communist Party boss or

For years harassed by the KGB, barred from travel abroad, attacked by Soviet officials and held in forced exile, Sakharov be-came a cause celèbre in the West, gaining the support of dozens of activists in science and human

Now all of them are battling for 15 minutes with him.

The line of defense against the battle is Sakharov and a small cadre of relatives and friends who live in the United States. Most active in fending off telephone calls, pleas for interviews and invitations to dinner for Sakharov is Yefrim Yankeleich, the son of Sakharov's wife, Yelena Bonner. With his wife Tatyana, Yanke-leich fields calls to Sakharov,



Sakharov (right) with U.S. physicist Edward Teller in Washington.

"Respect our privacy," Tatyana said at the end of a Boston press conference. "Don't stake out our house." Sakharov also has received occasional advice on his program from Bonner, who stayed behind in Moscow but has spoken to him frequently by telephone. Alexei and Liza Semyonov — also children of Bonner and Sakharov's stepchildren — are acting as hosts as well.

Klein is a New York business man who speaks fluent Russian and has long followed Sakharov's case, as well of those of other Soviet dissidents. Throughout most of the visit he has stuck close to Sakharov, acting alternately as intellectual bodyguard and trans-

"It seems to me that sometimes Klein translates what he thinks Sakharov should have said, rather than what he said," said a human rights veteran who has observed the two at several social func-

Officials at the Foundation for the Survival and Development of Humanity, the organization that invited Sakharov to the United States, have deferred to others in the planning of Sakharov's sched-

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helps organize the social schedule ule. "In fact," said William and occasionally translates. Miller, executive director of the Miller, executive director of the foundation, "he is calling most of his own shots. He knows what he wants to do and what he doesn't

want to do here."

Sakharov's pirouette across Washington in the past week, highlighted by a Sunday evening dinner at the National Academy of Sciences, cut straight through ideological barriers. He was entertained by Senator Edward M. Kennedy one evening and by the conservative commentator, Ernest Lefever, the next. Celebrated at a Sunday dinner by Americans for his outspoken human rights stances, he was later invited for coffee by Yuri V. Dubinin, the Soviet ambassador to the United

"It was bizarre," said a source who attended the meeting for Sa-kharov at the Soviet Embassy. "Probably the first and last time the ambassador invites a dissident to tea."

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Att BAIR Non-sectors.

On Monday, Sakharov met at the White House with President Ronald Reagan; had a luncheon with the International Foundation for the Survival and Development of Humanity; a questionand-answer session at the Kennan Institute; cocktails at the Library

of Congress; and dinner at the tea around the ramshackle table in his kitchen, Sakharov is much From the time Sakharov's visit more accustomed to small quiet was announced, the bidding over chats with friends than to glitter

in the center of the stage. his social schedule was so intense that even the conservative Ethics and Public Policy Center, usually queasy about associating with Russians, got involved. The group Russians, got involved, the get Saward to great lengths to get Sakharov, Imally declarate went to great lengths to get Sakharov to attend a Wednesday invite Karen Akers to sing. She taren of the sakharov to sak a private jet to get him to his next

stop. Sakharov refused the jet. He Ronald Lauder, the former ambassador to Austria who hosted a did show up briefly at the dinner, however, where he bashed Reareception for Sakharov last week at his apartment on New York's gan's "Star Wars" program and Upper East Side, made few if any got a standing ovation from the 750 attendees. concessions to the down-to-earth Sakharov, a Nobel laureate, got ambience preferred by the hon-four other awards in the week that ored guest. At Lauder's \$500-ajust was. One was the Albert Einperson affair, black ties and pearls abounded: the chatter in stein Peace Prize, which includes a check for \$50,000. Sakharov the crowd was as much about the also appeared as guest of honor at latest off-Broadway play as about

two hours before the internation-Undaunted by the madding crowd, Sakharov has been sural press and attended meetings of the Foundation for the Survival prisingly adept at managing his own schedule, and particularly at batting back attempts by others to use his name on their behalf. When the Helsinki Watch Commission scheduling to make a vide and Development of Humanity. Sakharov's fast-paced social schedule, fairly normal for west-ern heads of state visiting the United States, marks the first time a Soviet activist has taken advantage of more liberal Soviet mission asked him to make a videotape to show at its annual board meeting, Sakharov refused. When U.S. Information Agency Director Charles Z. Wick asked travel restrictions. Unlike, say, Alexander Solzhenitsyn or Yuri Orlov or Anatoly Sharansky, who were exiled or emigrated to the West, Sakharov has a round-trip West, Sakharov has a round-trip his agency's Voice of America ticket; he is scheduled to go back broadcasts were highly influential later this month.

Sakharov is a celebrated physi-

cist best known as a human rights

advocate, but some of his hosts seem confused about his biography. In introducing him at Wednesday night's Ethics and Public Policy Center dinner, for instance, William F. Buckley said clined Sakharov also has turned down a slew of requests for television at one point that Sakharov was and newspaper interviews. "If I exiled to Gorky "about the time" he received a Nobel prize and accepted one I would probably have to accept them all," he said.

ter the prize and lasted for seven aged to cut through the smoke in Sakharov's American hosts message across. Sometimes warnwere sometimes perplexed about ing against the risk inherent in how to entertain a man like Sa-Gorbachev's reforms, sometimes kharov, who gave up the elite life appealing for Western support for of a privileged Soviet official to perestroika, he has remained true battle on the front lines of the to his reputation, independent in Soviet human rights movement. his thought and outspoken with Used to huddling with guests over his views.

Senator Kennedy, who apparently pondered long and hard whether to feature entertainment at the sit-down dinner he hosted bringing a smile to Sakharov's

six formal dinners, held forth for political prisoners and the other two hours before the internation-stuff of Sakharov's repertoire. Robert Bellard, the deep-sea ex-plorer; George Bess, the under water archeologist; and Thay, Soule, the travel lecturer.

> whether Sakharov concurred that among the Soviet public, the dissident leader disagreed. Since the official Soviet media and VOA have started reporting the same things, Sakharov said, VOA's listenership among Soviets has de-

remained there for five years. In

Most important, at every stop
fact, the exile came five years afon his trip, Sakharov has manthe smoke-filled rooms to get his **PEOPLE** 

National Geographic Honors 15 'Pioneers'

When President-elect George

- 2

Bush showed up at the National Geographic Society's centennial awards dinner in Washington, the Society's president, Gilbert M. Grosvenor, told him that, although Berbera Bush has been a member for 20 years, he would soon he receiving his own free lifetime membership. "And sir, don't wor-ry," declared Grosvenor. "Til take care of your address change." Seat-ed on the dais were 15 "Pioneers of Discovery" who were honored Thursday with Centennial Awards from the Society: Sir Edmund Hilbary, the mountaineer; Jacques-Yves Coustens, the undersea explorer; Jane Goodali, the primatologist; Harold Edgerton the photographic inventor, Mary and Richard Leakey, the paleo-anthropologists; Frank and John Craighead, the bio-ecologists; Bradford and Barbara Washbarn, the cartologists; Senstor John H. Glenn Jr., the former astronaut; Kensa T. Erim, the archaeologist;

Jason Eastein, 60, the editorial director of Random House who has worked with such authors as W.H. Auden, Vladimir Nabokov, Norman, Mailer, Gore Vidal and E.L. Doctorow, is the winner of the Nationa: Book Awards Medal. The awa carries a \$10,000 prize.

Linda Petursdottir, 18, who is Miss Iceland, won the 38th Miss World beauty title in London. Runners-up were Yeon-He Choi, Miss Korea, and Kirsty Roper. Miss United Kingdom. This could be the last contest as Britain's independent television companies have decided to end the show. Although it attracts audiences worldwide, the show has been criticized for displaying women in an unflattering;

Jazz musician Miles Davis ha. returned to New York to rest after, fainting at the end of a show in Madrid. Spanish doctors said the 61-year-old trumpet player we suffering from severe exhaustion. and an irregular heartbeat, but that there was no need for him to be hospitalized. Davis canceled performances in Barcelona and Italy.

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